EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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LEBANON
Tragedy of the proxy battlefield
Page 6

World News

France steps up naval force near Lebanon

France sent the aircraft carrier Foch to the eastern Mediterranean to help the destroyer Duquesne provide "any aid which might appear necessary."

The announcement came as the latest ceasefire between Christian and Moslem forces in Beirut faltered, with renewed fighting along the line dividing the Christian east from the Moslem west of the city. Page 16

China death toll

Amnesty International said at least 1,300 people were killed in China's crackdown on the democracy movement in June and far more than Peking reported had since been executed or arrested. Page 16

Japan resumes aid

Japan has decided to resume economic aid projects to China suspended after the army crackdown on pro-democracy protests in June.

Kaifu US visit set

Toshiki Kaifu, Japan's new Prime Minister, will meet President Bush in Washington on September 1 to try to ease concern in the US about the recent political turmoil in Japan. Page 7

Trader pleads guilty

Robert Freeman, a partner at Wall Street's blue-chip company Goldman Sachs, pleaded guilty to a charge of insider trading. Page 3

Czech warning

Czechoslovak authorities warned they would not tolerate any repetition of last year's demonstrations on the anniversary next week of the 1968 Soviet invasion.

New Afghan rockets

Afghan Government said Western-backed rebels are attacking Kabul with a new type of US-made rocket which explodes in mid-air and scatters small bombs over the city.

Hungary strike call

Hungary's official trade union council SZOT called for a token nationwide strike for today against planned rises in the prices of some meat products.

Historic flight

An Australian Qantas jumbo jet made a 18,000 km commercial non-stop London to Sydney flight in a record 20 hours. Page 16

Cameraman charged

A West German photographer was charged in a Northern Irish court with possession of a rifle magazine as police and officials accused some reporters of stirring trouble.

Tamils kill Indians

Tamil guerrillas killed 24 Indian troops on Wednesday in a raid launched from a hospital in Sri Lanka's north-west. Earlier story, Page 4

Nine Greek fires

Thousands of firefighters, supported by army units and Greece's entire fleet of water-dropping aircraft, battled forest fires in nine places.

Bavarian ballet

An overweight swan crash-landed on a German cyclist, injuring him and wrecking his bicycle but Bavaria's Finance Minister, Gerold Tandler, donated DM250 ($125) from public funds for a new machine.

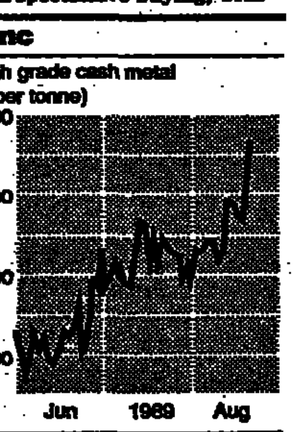
Business Summary

UK securities firms fined for disclosure failure

Smith New Court and James Capel, two leading UK securities firms, have each been fined £10,000 ($15,800) for offences in connection with holdings of shares of Consolidated Gold Fields, diversified UK mining group recently taken over by Hanson, UK conglomerate.

They were the first firms to be charged with offences under section 212 of the 1985 Companies Act, which requires disclosure of interests in a company's shares.

ZINC: London Metal Exchange prices closed sharply higher, based on tight nearby supplies and speculative buying, with



three-months special high grade metal ending $60 up on Wednesday's close. Commodities, Page 26

NAVISTAR, leading US manufacturer of heavy trucks and mid-range diesel engines, reported a 40 per cent fall in for its latest quarterly profits to $28m and forecast even worse results this quarter. Page 17

LOWNDES Queensway, UK furniture and carpet retailer, announced a £18.5m ($29m) rights issue and a £18m deferral of debt repayment and said it probably lost about £17m in the half year to July 30. Page 17

ROYAL Insurance, British composite insurance company, said pre-tax profits fell 22 per cent for the first half of 1989, a sharper decline than has been reported by some of its UK competitors. Page 17

KLM Royal Dutch Airlines more than doubled profits to Fl 230m ($103.6m), in the first quarter, thanks to the disposal of XP Systems, an express transport subsidiary. Page 19

ELECTROLUX of Sweden, world's leading white goods manufacturer, reported a 10 per cent increase in profits to SKr1.99bn ($306m) from SKr1.81bn for the first six months, although it said there were signs of weakening consumer markets during the second quarter in the US and W Europe. Page 19

BANCO De Santander, big Spanish commercial bank, acquired for $60m 3 per cent of Kemper Corporation, the holding company of Kemper Financial Companies, US trading, asset management and insurance group. Page 18

PHARMA, Swedish pharmaceuticals and biotechnology group, said first half profits rose 13 per cent to SKr506m ($80m) from SKr449m while sales also rose 18 per cent to SKr3.67bn. Page 19

PIONEER Electronic, Japanese consumer electronics group, said net income rose 22 per cent to Y5.96bn ($41.9m) in the first three months to June, on sales up 15.2 per cent to Y107.6bn. Page 20

HONGKONG Electric, listed power utility which supplies electricity to Hong Kong island, reported a 16 per cent increase in profits after tax and scheme of control transfers of HK$725.9m (US$93m) for first half 1989. Page 20

Solidarity gains unanimous backing to form government

By John Lloyd in Warsaw

ALL OF Poland's leading political groups yesterday declared themselves in favour of a Solidarity-led government to be formed within the next day or two.

The project has the approval of General Wojciech Jaruzelski the Communist President, the Solidarity deputies in the Sejm (lower house), the Communist deputies and the Peasant and Democratic parties.

There now appears no block on the formation of such a government which would be largely composed of experts and non-party technocrats. Such a composition for the Government, which has been discussed within both Communist and opposition camps for the past few weeks, has become the essential consensus as the best exit from the country's deepening economic crisis.

It appears certain that Mr Lech Walesa, the Solidarity leader, will not be Prime Minister of the new government. However, Mr Bronislaw Geremek, the Solidarity leader in the Sejm, is emerging as the favourite for this post. Mr Geremek yesterday met President Jaruzelski to discuss the formation of a government and they agreed that it should be rapid and should minimise political differences.

Poland's Parliament condemned the 1968 Soviet-led invasion of Czechoslovakia yesterday, Reuter reports. "The intervention breached the inalienable right of every nation to self-determination and its natural desire for democracy, freedom and respect for human rights," parliament's lower house said.
Neighbours clash, Page 2

The timetable of yesterday's remarkable events began with meetings between Mr Walesa and the leaders of the Peasant and Democrat parties, Mr Roman Malinowski and Mr Jerzy Jozwiak. After their meeting the three said they had agreed to collaborate in the formation of broadly-based coalition government.

At the same time, Mr Geremek was in talks with President Jaruzelski to discuss the formation of a government composed mainly of experts, particularly those qualified to tackle the country's economic crisis. Mr Geremek then returned to parliament to brief his colleagues.

In the early afternoon as Mr Geremek described his meeting with the President to Mr Walesa, deputies of the formerly long-ruling Polish United Workers Party held a meeting in the Sejm. A spokeswoman for the group said later they had agreed it was time to forget the splits and divisions in society and that they were happy that Solidarity wanted to play a part in the "co-governing of Poland."

The PUWP, which has yet to give official, top-level sanction to the formation of a government in which its participation has been limited by Mr Walesa to the ministries of Defence and the Interior, is to hold a central committee plenum tomorrow.

By mid-afternoon, Mr Walesa, together with Mr Malinowski and Mr Jozwiak, went to the Belvedere palace, the presidential residence where they met General Czeslaw Kiszczak who was formally presenting his resignation to President Jaruzelski. The three party leaders then began detailed discussions with the President on the nature of the next government and the likely names of its principal members.

At a press conference last night in central Warsaw, Mr Walesa repeatedly renounced any claim to power of any kind, saying he wished to remain with the masses. He then returned to the Sejm for further meetings.

Sharp fall in trade deficit boosts dollar

By Janet Bush in New York

THE LOWEST monthly US merchandise trade deficit for nearly five years gave a strong boost to the dollar yesterday.

The deficit fell to $8.2bn in June, down from a revised $10.1bn in May. Exports rose by $500m to an all-time record of $30.9bn, while imports fell by $1.4bn from their record May value to $39.1bn.

The new figures re-establish a firmly improving trend in the US merchandise account, which was seen as in doubt after the original May estimates. Ms Carla Hills, the US trade representative, expressed some pessimism at a press briefing this week.

The revised figures show that exports, which paused in the second half of 1988, have been growing at an annual rate of nearly 21 per cent so far this year. Imports are growing at an annual rate of less than 11 per cent. If these trends were sustained, the deficit would shrink quite rapidly in the coming months, reaching a monthly average of about $7bn by the end of this year.

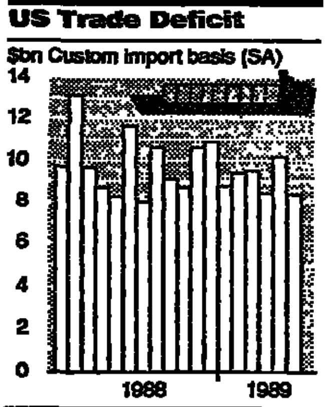
The export recovery is led by consumer goods – only 9 per cent of the total, but up more than 47 per cent in the last year. Foods (up 19 per cent) reflect rising prices; capital goods, the largest category (more than a quarter of total exports) are up 12.8 per cent year on year.

On the import side the virtual standstill in car imports, whose growth caused much of the earlier deterioration in the US balance, is the most striking feature. Imports of vehicles and parts have risen only 0.5 per cent in the last year.

Imports of consumer goods are also lagging general growth with a 6.7 per cent increase – little changed in real terms. Capital goods (up 13.5 per cent) and industrial supplies, where the 11.6 per cent increase includes higher oil prices, have shown the strongest growth.

The turnround in the car market mainly reflects growing output from Japanese-owned plants in the US. Sales of imported vehicles have fallen 10 per cent in the first half of this year, but the share of import nameplates in the US market continues to grow.

The figures gave a strong boost to the dollar. At the New York midsession, the dollar had retreated from its highs of Y144.05 and DM1.9719 to stand at Y143.65 and DM1.9665. This prompted speculation that the US Federal Reserve might be intervening against the dollar.



The dollar's strength also hit sterling, which lost just over 2 cents to $1.5585 in London. Because the pound was steady against other currencies its trade weighted index closed only slightly lower at 91.0, down from 91.3 at the yesterday's opening and the previous night.

The reaction of stock and bond markets was less expected. After jumping by around ½ point in an immediate reaction to the trade release, US Treasury bonds swiftly reversed direction and plunged by a full point in midmorning.

A chain reaction, starting from the bond futures market and feeding through to stock index futures, then led to a sharp drop in the equity market.

By midsession, both bond and stock markets had recovered some of their earlier losses. The Treasury's benchmark long bond was quoted ¾ point lower for a yield of 8.17 per cent while the Dow Jones Industrial Average was quoted 17.46 points lower at 2,675.83 having registered a loss of more than 20 points earlier.

The negative reaction in the bond and bond futures markets was attributed to the view that yesterday's continued rise in exports offered more evidence of robustness in the US economy which would preclude any further monetary easing.

However, it is also true that the bond market had been left with large positions of unsold paper after last week's lukewarm quarterly refunding auctions and that dealers may have used early price gains to cut those positions.

Markets, section II


Posgate: 'vindicated'

Lloyd's underwriter cleared of charges

By Raymond Hughes in London

MR Ian Posgate, a former star underwriter on the Lloyd's of London insurance market, was yesterday cleared of being part of a conspiracy to steal from Lloyd's syndicates.

Mr Kenneth Grob, former chairman of the Alexander Howden insurance group, was also acquitted by a jury in London on 16 charges of theft from Howden and Lloyd's syndicates it managed. The jury took over 20 hours to reach its verdicts at the end of a 15 week trial.

The outcome was a serious blow to the Serious Fraud Office, which took over the case when it was formed two years ago to investigate and prosecute complex fraud cases.

Mr Posgate said: "I feel vindicated." He had no interest in returning to work at Lloyd's, he said, although he would continue to be a member.

Mr Grob felt "huge relief."

The trial arose from the £150m ($235m) takeover in 1982 of Alexander Howden, whose extensive Lloyd's interests included the management of the largest underwriting syndicates, by the US-based Alexander & Alexander Services, the world's second largest insurance broker. A post-acquisition audit revealed a shortfall of millions of pounds in Howden's assets.

The prosecution alleged that Mr Grob and three fellow directors of Howden, Mr Jack Carpenter, Mr Ronald Comery and Mr Allan Page set up a "secret empire" of offshore companies they used to steal millions of pounds from Howden and Lloyd's syndicates for "personal enrichment."

The allegation was that between 1979 and 1982 the four and Mr Posgate conspired to use the money to finance a

Continued on Page 16
Background, Page 8

Soviet Politburo moves to limit republican powers

By James Blitz in Moscow

THE SOVIET Politburo yesterday showed its determination to get a grip on the country's growing nationalities problem by publishing a policy document which tries to set careful limits to republican autonomy.

The document, attributed directly to the Politburo and published in most of yesterday's leading Soviet newspapers, calls for "radical transformations in the Soviet federation" but makes no specific proposals for any individual republic.

To the possible dismay of local nationalists, however, the document stresses the mutual dependence of the Soviet Union and its individual republics.

"Without a strong union, there cannot be strong republics," it says. "And without strong republics, there cannot be a strong union."

More specifically, the document emphasises the mutual dependence of the national and republican legislatures.

"If a union (all-national) law goes beyond the limits of the union's authority, then the republic has a right to raise questions about its abolition."

Nationalist leaders in the republics would be delighted had the Politburo left matters there, but the document continues: "Republican law that also goes beyond the framework of competence of the republics can also be subjected to abolition by the union."

That would seem to cast doubt on whether the law of any republic could be independent of Soviet law, which is an important issue for the popular front movements in many republics seeking greater regional autonomy.

The issue would also seem to have found a test case in the law passed by the Estonian Supreme Soviet last week, which in effect disenfranchises ethnic Russians living there from voting in local elections.

Since its enactment 10 days ago, 40,000 ethnic Russians in the republic have been on strike, in protest at the loss of their civil rights.

A chance to hit back, Page 2

SEC to consider implications of Hoylake's offer for BAT

THE BID by Hoylake for BAT Industries is being reviewed by the Securities and Exchange Commission, the US regulatory body, to determine whether it has any jurisdiction over the offer and to consider the implications for US shareholders.

Mr David Ruder, SEC chairman, said he had asked his staff to examine the £13.5bn ($21.2bn) bid by the consortium led by Sir James Goldsmith before he received a letter from 200 Congressional leaders asking him to assert jurisdiction.

"As far as I am concerned, the letter from Congress came after the fact," Mr Ruder said.

He added that he had told the signatories to the letter that he was "very concerned about any takeover which affected US securities holders" and that the SEC would look carefully at whether there had been any violation of US takeover and other securities laws.

Mr Ruder said his staff had not yet come to any determination on the Hoylake bid.

Standard SEC procedure would involve determining jurisdiction and then examining whether there had been violations of US law. "If there was sufficient concern within the SEC that there had been problems of compliance with our laws, we could bring an enforcement action against the company involved," he said.

Mr Ruder also hinted that informal contact could be made with his regulatory counterparts in the country in question to point out "that your people are doing bad things to our people here."

Political ire was raised on Capitol Hill expressly, according to the letter, because the Hoylake bid was structured "to avoid US securities laws and ignore the rights of Americans who hold shares in BAT."

Mr Ruder said the SEC's review of the bid – or any similar bid – centred on establishing whether Hoylake had succeeded in avoiding US jurisdiction. The sole concern of the SEC was not whether the target company had substantial business interests in the US but whether US shareholders were in any way affected.

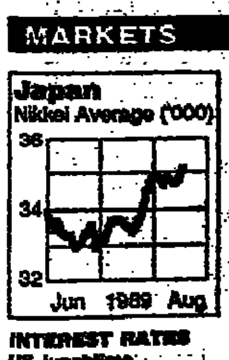
"If there is a sufficiently broad shareholding in a company, we have jurisdiction even if the takeover offer is not made in the US," said Mr Ruder.

An attorney for BAT said there were about 2,400 US shareholders, accounting for perhaps 5 per cent of total shares outstanding. Most of those holdings were in the form of American Depository Receipts – tradeable receipts for British shares held with a US bank – which Sir James has excluded from the offer, but some 200 shareholders hold BAT shares directly.

Hoylake said: "Our attorneys are satisfied that the offer complies with both the letter and spirit of the appropriate securities laws and that the SEC has been kept fully informed of what we are doing with respect to our offer."

US unions oppose bid, Page 8

MARKETS



INTEREST RATES
US lunchtime
Federal Funds 8 1/2% (8 1/4)
3-mth Treasury Bills: yield: 8.141% (8.14)
Long Bond: 99 13/32 (100 3/4)
yield: 8.173% (8.1)
London
3-month interbank: close 13 13/16% (13 7/8)

STERLING
New York lunchtime
$1.5590 (1.5815)
London:
$1.5585 (1.5790)
DM3.0675 (same)
FFr10.3600 (10.3575)
SFr2.6450 (2.6400)
Y224.25 (224.50)

DOLLAR
New York lunchtime
DM1.9650 (1.9405)
FFr6.6355 (6.5525)
SFr1.69385 (1.6705)
Y143.55 (142.05)
London:
DM1.9665 (1.9425)
FFr6.6475 (6.5600)
SFr1.6970 (1.6720)
Y143.65 (142.15)

GOLD
New York latest
Comex Dec $373.5 (374.7)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av. 2,673.94 (-19.35)
S&P Comp 343.84 (345.66)
London:
FT-SE 100 2,360.0 (+14.2)
World: 152.62 (Wed)
Tokyo
Nikkei Ave 35,090.11 (+5.96)
Frankfurt
Commerzbank 1,945.2 (1,962.0)

OIL
Brent 15-day (Argus) $17.075 (-0.045) (Sept)
West Tex Crude $18.575 (same) (Sept)

CONTENTS

Year since Pakistan's politics was changed

Prime Minister Benazir Bhutto faces opposition accusing her of trying to create a one-party state and General Zia, who has achieved popularity through death, has become the focus of anti-Bhutto sentiment. Page 16

Estonia hands Kremlin chance to hit back at nationalist groups

By James Blitz in Moscow

AT SOME point in the past 10 days, the Soviet leadership realised that it had been offered a gift opportunity to hit back at the growing nationalist movements in the Baltic republics which have been plaguing the Kremlin for a year.

That opportunity was provided by the Supreme Soviet in Estonia which decided last week to limit the voting rights of ethnic Russians living in the republic.

The move was greeted with a howl of protest from the republic's Russian minority. They at once instigated a strike, which is reported to have seriously undermined transport and enterprises in the capital. The interesting point is that most of the reporting has been done by official Soviet newspapers.

On Tuesday, Pravda, the Communist party paper described the move as an infringement of human rights. "The people's fronts, which emerged due to the process of renewal in the country, have begun to drift away from the course of perestroika," it said.

On Wednesday, the onslaught continued. Both Pravda and Izvetia, the government newspaper, carried long verbatim interviews with the leaders of the strike on their grievances.

And then last night, the presidium of the Supreme Soviet in Moscow weighed in by issuing a decree describing the law as an infringement of human rights and calling on the Estonians to amend it by the beginning of October.

The Kremlin had an opportunity to demonstrate the supremacy of Moscow law over the law of the republic on an issue with which they could draw wide sympathy from the general public.

However, an official of the Estonian Supreme Soviet yesterday told Reuters news agency that a reconsideration of the law was out of the question. "It has already been passed and is in effect. Moscow has no influence over it," he said.

> The leadership is taking the opportunity to outline areas of republican government which are dependent on *national sanction*

Last night, the strike in Estonia was still going on. But the issue has given the Soviet leadership a new momentum in its battle with the growing number of popular fronts.

The Russian minority's grievance at the deprivation of its basic right to vote reached its acme on Wednesday night when Soviet television broadcast at prime time the entire debate on the Estonian issue by the Supreme Soviet's presidium.

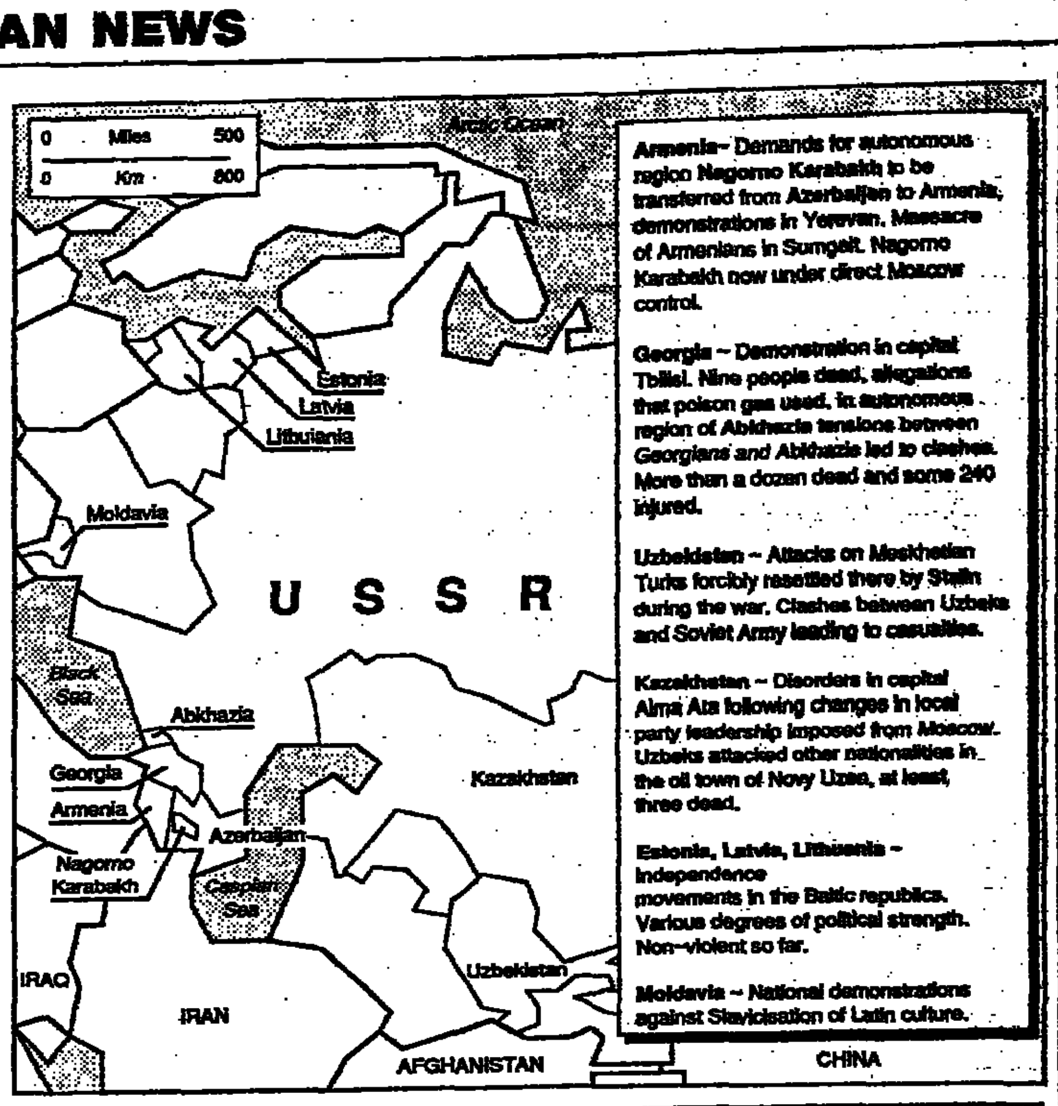
However, a politburo document published yesterday takes the matter further by calling for the national government in Moscow to play a role in protecting the rights of minorities in the republics throughout the country.

In particular, the politburo calls for a law to be passed "to guarantee the rights of citizens of the USSR living beyond the borders of their state territorial formation."

But the Soviet leadership looks like it is also taking the opportunity to outline some of the areas of republican government that would be dependent on national sanction, to the almost certain dismay of the popular fronts.

While admitting that republics must have the right of ownership over their land and natural resources, the politburo provides an important condition: "The Union of the USSR must strengthen its right to define the use of these resources, taking into account general inter-republican interests and the interests of the defence and security of the country."

Such a provision would be unacceptable to the nationalist group in, say, Uzbekistan. There, the nationalists feel that the republic is forced to produce cotton for the needs of the Soviet Union, when it might be more in the republic's interests to grow agricultural crops. If the republic's potential to switch crop production is to be limited by "inter-republican interests", then the nationalists will feel considerably let down by Moscow.



Annual rate of inflation slows down in France

FRENCH CONSUMER prices rose by 0.3 per cent last month, marking a slight slowing in the annual rate of inflation to 3.5 per cent, writes George Graham in Paris.

Inflation had accelerated under the influence of rising oil prices in the early months of this year, but slowed in June. Last month, a continued fall in oil prices helped offset rises in rents, French cars and imported tobacco.

The Finance Ministry noted that the inflation rate remained only half a percentage point worse than West Germany's, and one point better than the average of its eight main trading partners.

Exodus to West

More than 1,000 East Germans fled to the West via Hungary in the first half of August, almost four times the number who fled in the last two weeks of July, Reuter reports from Bonn. Government officials said 1,100 emigrants had registered at West Germany's Vienna embassy.

Greece ablaze

Thousands of firefighters, supported by army units and Greece's entire fleet of special water-dropping aircraft, fought forest fires in nine parts of the country yesterday, Reuter reports from Athens. A state of emergency has been declared in northern Halkidiki where a blaze started by lightning on Sunday has destroyed 7,000 acres of woodland.

Kosovo trials

Sixteen ethnic Albanians, including the former Kosovo Communist Party leader, are expected to go on trial in October for their role in unrest in Yugoslavia's Kosovo province, Reuter reports from Belgrade quoting local news reports. They were detained on suspicion of stirring ethnic Albanian protests last November and March against curbs on Kosovo's autonomy.

Lunar flight

Six masked men used the cover of yesterday's lunar eclipse to overcome a watchman and steal 6,000 chickens from a farm near the northern Portuguese town of Valenca, Reuter reports from Lisbon.

Afghan war toll

A total of 13,838 Soviet soldiers died in the Afghan war, the Communist party daily Pravda *said yesterday in the most* detailed breakdown yet of Soviet casualties, Reuter reports from Moscow.

Big rises forecast in EC air and sea fares

By Tim Dickson in Brussels

CONSUMERS IN the European Community could be faced with rises in ferry fares of up to *35 per cent and air fare* increases of up to 16 per cent if plans for harmonising indirect EC taxes are adopted.

The stark warning is spelt out in a joint submission to the European Commission by the Association of European Airlines (AEA) and the Association of EC Shipowners (CAACE), which concludes that Brussels' present proposals would "harm the Community's shipping and airline companies, the travelling public, and wider EC interests".

Passengers and shippers, it explains, will be faced with direct and immediate cost increases on transport within the EC resulting from:

● The introduction of value added tax on intra-EC passenger fares and freight charges(at the moment these are zero rated for VAT where the travel is between member states).

● The application of VAT on ships' and aircraft supplies.

● The abolition of duty free sales, which represent a significant source of income for the shipping industry and airports.

In addition, say the AEA and the CAACE, the present proposals would create a distorted competitive position for EC shipping companies and airlines compared with their *non-EC competitors since* "it is difficult to envisage how the Community will be able to apply VAT or excise duty to non-EC carriers."

The joint submission from the two industries is a reminder of the considerable obstacles in the way of a final deal on EC indirect tax harmonisation, notwithstanding the compromises made by Mrs Christiane Scrivener, the Tax Commissioner, in May.

At the time, she indicated a new willingness to be flexible on the VAT rate bands and stated that some zero rates could be maintained "on a very limited number of goods" – but the only specific concession to the transport sector has been a promise to shippers that Brussels does not intend to impose excise duty on fuel.

A spokesman for the CAACE in Brussels explained yesterday that an important component of the estimated ferry fare increase was the loss of duty free sales from the end of 1992. "To compensate for the removal of this source of revenue ferry companies would have to raise passenger fares by about 25 per cent alone."

Yugoslavia considers heavy dinar

THE YUGOSLAV Government is considering introducing a new currency unit by eliminating several zeros from the present dinar denominations, the Belgrade newspaper Politika said yesterday, AP reports.

Mr Aleksandar Mitrovic, Deputy Prime Minister, said in an interview that the Government had planned to carry out the operation next year, but rising inflation had made it necessary to speed the process.

The largest Yugoslav banknote, introduced only last week, is the Dinars 2m (the equivalent of about £50). A Dinar 5m note is due soon.

Inflation in Yugoslavia is hovering around the 800 per cent mark and is expected to peak at about 1,000 per cent by the end of the year. The result has been that large bills rapidly lose value, with ever bigger denominations being put into circulation.

There have been repeated calls in the Yugoslav press for the introduction of a "heavy" currency unit, but federal bank officials have previously maintained that this would have little effect until inflation subsides significantly.

Yugoslavia's last redenomination of the dinar was in 1965 when two zeros were dropped.

WEST GERMANY SHOWS SIGNS OF WINNING INFLATION BATTLE

Economy responds to Bundesbank policy

By Andrew Fisher in Frankfurt

GOVERNMENT AND central bank efforts to keep inflation under control in West Germany look like succeeding this year, although wage pressures could cause problems on the price front, according to one of the country's leading economic research institutes.

The HWWA Institute in Hamburg said consumer prices would probably rise by around 3 per cent this year - in July, the rate slipped back to this level from 3.1 per cent - and move up again by a similar level in 1990.

The flattening out of the oil price increase would help to moderate inflation, as would the recent easing in the dollar. Yesterday, however, the dollar closed stronger at DM1.97.

In recent months, the Bundesbank has kept a tight rein on money supply.

It has allowed interest rates to edge up in order to keep inflation at bay at a time of stronger than expected economic activity, largely driven by exports.

Latest figures for wholesale prices show a drop of 0.9 per cent in July compared with the previous month, after a much smaller decline of 0.1 per cent in June. This was the first time in more than three years that prices went down in successive months.

On a year-to-year basis the increase in July was 5 per cent, slightly lower than the June advance. Producer prices in July inched up by 0.1 per cent over June and were 3 per cent higher than in July, 1988.

The HWWA Institute noted that the high amount of liquidity in the economy and the straining of industrial capacity levels as new orders flowed in at a high rate were potential inflationary dangers. In addition, overtime and increased weekend shift working have lifted take-home pay, while rents and property prices have increased in recent months.

Hungarians to strike on prices

THE OFFICIAL trade union council in Hungary, SZOT, has called for a brief nationwide token strike today in protest at planned rises in the prices of some meat products, Reuter reports from Budapest.

It said the strike would not be aimed at causing economic damage but would be "against a government policy which continuously reduces living standards." The action is a sign of increasing discontent among the Hungarian working class. Living standards, already low, are falling fast as the Government struggles with Eastern Europe's highest per capita debt.

East bloc neighbours clash

By Leslie Colitt in Berlin

CONSERVATIVE Czechoslovakia and reformist Hungary engaged in yet another sharp exchange yesterday following renewed criticism by Budapest of the crushing of the "Prague Spring" by Soviet-led Warsaw Pact troops 21 years ago this month.

The condemnation, issued by MTI, the official Hungarian news agency earlier this week, said that the "party's present leadership . . . does not concur with the 1968 military intervention in Czechoslovakia."

The statement added that the party leadership in Hungary believed that the "evaluation of the events occurring in Czechoslovakia in 1968 should be the right and the task of the Czechoslovak people and the Czechoslovak Communist Party."

The Hungarian reappraisal of the events of 1968 follows a remarkably candid critique last week by Mr Imre Szokai, a senior party official who denounced the invasion in no uncertain terms, a move which was supported by the Solidarity-dominated Polish Senate.

But, yesterday, in contrast to Czechoslovakia's silence last week, Rude Pravo, the communist party daily newspaper, accused the Hungarian party of siding "anti-socialist forces" despite Budapest's claim of wanting to seek good relations with Prague.

Relations between the two allies have been already severely strained by Hungary's suspension of work on a joint dam project with Czechoslovakia as well as two remarkably frank interviews on Hungarian television last May with Mr Alexander Dubcek, the former leader of the Czechoslovak Communist Party, who spearheaded the Prague Spring in 1968.

Simon Holberton considers the debate on greater European monetary union after the Madrid Summit statement on the Delors Report

Weighing the first uncertain steps between consenting governments

PRAISED for its skilful drafting, the Madrid Communiqué on the Delors report tries to be all things to all men.

Senior European Commission officials in Brussels are "perfectly happy" with the communiqué, "especially the language saying it forms the basis for where we are going".

But in describing the report as representing only a way to that goal, the Madrid Summit has set in train a search for alternatives to the three-stage programme on economic and monetary union outlined by the 17-strong committee of central bankers and outside experts chaired by Mr Jacques Delors, president of the Commission.

Throughout the EC, officials are beginning work, the aim of which will be either to buttress the report's plan for eventual economic and monetary union, or try to contain the momentum for union within the confines of the report's suggested stage one. The latter "minimalist" position would mean trying to hold the line at greater co-operation on monetary policy, universal membership of the exchange rate mechanism of the European Monetary System and the achievement of the single market in goods, services and capital.

Some important players in the forthcoming drama have already sounded warnings. Not least is Mr Karl Otto Pöhl, president of the West German Bundesbank, who has begun to doubt the wisdom of ceding German monetary sovereignty – and the price stability and steady economic growth which has gone with it – to an uncertain future in the hands of an untested collective. France and Italy form the counterweight to this view: they are proponents of EMU precisely because they want a say in German monetary policy.

In Britain, Mr Nigel Lawson, the Chancellor, who is a proponent of Britain's full membership of the EMS, has balked at what he sees as the federalist intent lurking just below the surface of the Delors report. Mrs Margaret Thatcher, the Prime Minister, who is no believer in economic and monetary union but who has twice committed the UK to the objective, has said Whitehall will be engaged in a search for alternative ways to make good her word. As one Treasury official said: "*We have a lot of thinking to do.*"

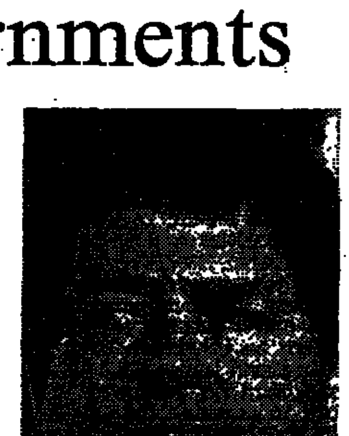
Indeed. Whatever the shortcomings of the Delors report, it does present a coherent package of measures and, because of the detailed thought which went into its composition, it forms the basis for any discussion of closer economic and monetary ties in Europe.

Leaving aside the desirability of the goal it charts, there are few, if any, who can take issue with its definition of monetary union, itself borrowed from the still-born Werner report of 1972. Monetary union, the report says, presupposes freely convertible currencies, open and liberal capital markets and irrevocably fixed exchange rates among consenting governments. The corollary of this is a common monetary policy and, possibly, a common currency and central monetary authority. If it is defined in this way, Mrs Thatcher's view that EMU can be stopped at stage one, which at best just seeks universal EC membership of the EMS, does not stand up.

Less well-defined and supported, especially in Britain but in some other capitals on the Continent as well, is the committee's definition of economic union. This conflates economic integration – a barrier-free single market in goods, services and capital – and economic policy union, which seeks to *constrain and control the fiscal* policies of member governments. This is the aspect of the report that has caused most concern for Mr Lawson who, at one level, sees in the Delors report a fundamental challenge to the British parliament's sovereignty over taxation and expenditure, and, at another, the general irrelevance of bringing fiscal policy within its ambit. For Mr Lawson, fiscal policy is about structural reforms, not manipulation of the economic cycle.

History is an illuminating guide for those who seek an alternative to the course charted by the Delors committee. The most often cited precedents for economic and/or

● **Lawson (far right) and Pöhl (right) have *reservations about the* enthusiasm of Delors**



monetary union turn either on the experience of German unification – starting with the Zollverein, or customs union of 1834, and ending with a common currency and the creation of the Reichsbank, for the newly unified Germany, in 1875 – or the gold standard of the 19th and early 20th centuries.

Mr Lawson is fond of quoting the time it took for German monetary unification to evolve. In his Chatham House speech *in January he made great play* of the 40 years it took between the German states' agreement on the terms of the Zollverein and monetary union/common currency under Bismark. But *German economic and monetary* unification shows, as Professor Carl-Ludwig Holtfrerich, of Berlin's Free University, has pointed out, that large steps towards monetary union can and did precede political *unification.*

After the 1834 customs union, 35 principalities and four free cities, all possessed full sovereignty to regulate their coinage and money systems. But by 1838 the German states had fixed exchange rates between their two predominate currencies and, by 1857, had achieved virtual monetary union. The German experience shows that the fixing of exchange rates can occur quite early in the process towards unification and by means of treaties. But as Prof Holtfrerich notes: "The crucial point is that the supply of money must be depoliticised."

The gold standard, which was dominated by Britain and France, was a fixed exchange rate system which delivered *currency stability externally* and deflation at home. It was a voluntary system which had no formal treaty structure; however, it could not ensure irrevocably fixed exchange *rates and was shattered by the* First World War.

High rates of economic growth, exchange rate and price deflation were made possible because of the rapid *growth of paper money and the* proper management of money created by banks. The maintenance of exchange rate stability depended, in the late Professor Robert Triffin's view, on "the *de facto* harmonisation of the national rates of monetary and credit expansion among gold-standard countries." In short, co-operation of monetary authorities aided stability.

The closest thing to a commodity standard in Europe today is the D-Mark. Professor Charles Goodhart, claims that the Delors report vastly overstates the "co-operative" and "co-ordinated" character of current monetary arrangements within the EMS's exchange rate mechanism. To him, the nature of the power relationships within the EMS is muddied by the quotation of member currencies in terms of *their allowable* divergence from their central rate against the European currency unit (Ecu).

He argues that the rate which markets watch are the ones in terms of the D-Mark. In essence the Bundesbank is the central power in the EMS, so why not fix exchange rates in terms of the D-Mark and, moreover, fix them immediately? A staged move towards fixed exchange rates would only provide opportunities for financial markets to break the arrangement apart.

Professor Goodhart's prescription seems to be based on what might be the final outcome of currency competition – a sort of inverse of Gresham's law where good money drives out bad. Supporters of such an idea in the EMS would like to see a gradual narrowing of the permissible limits of fluctuation within the ERM leading in the end to a fixing of exchange rates.

Instead, however, of moving towards a common currency one simply lets the market determine in which currency it will hold its financial assets. With fixed exchange rates, and hence perfect substitutability between them, the market would decide which currency survives.

Fixing against the D-Mark would amount to a basic, no-frills interpretation of monetary union, but would it be acceptable to other EC governments? Unlikely. One of the motive forces behind EMU is a desire by some governments, notably France and Italy, to have a say in the determination of monetary policy within the EMS. Despite a number of agreements between central bankers and regular bilateral meetings between finance ministers and central bankers the EMS is still predominately controlled by the Bundesbank.

A move towards monetary union in the early years of the Zollverein demonstrates that treaties can have a part to play in harmonising separate monetary systems and policies. To reduce the political friction in monetary policy among community members today one may first need to create an institution representative of community interests to operate it. However, in so doing, the best monetary policy (if that is defined as the one most committed to price stability) may have to be sacrificed for something closer to the average of all national monetary policies.

This, however, will still prove far too much for those intent on stopping the movement towards EMU at stage one. The minimalists, who have genuine concerns about moving precipitously towards union, will argue for greater convergence of the 12 EC economies. They will, above all, be protective of the EMS as it is today.

As one senior European monetary official noted: "Central bankers are managers of existing institutions, not reformers. They think, why take a professional risk on something new when we seem to manage reasonably well with what we have. The EMS has been functioning pretty well, so why change it?" The central bankers may well find that a few politicians begin to fall in behind them.

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AMERICAN NEWS

Navy suspects design fault in Trident missile

By Lionel Barber in Washington

THE Trident II missile, which Britain is obliged to buy as the country's main nuclear deterrent in the 1990s, may have a fundamental design fault, according to the US Navy.

The Trident has failed in two of its three undersea tests this year, provoking a thorough investigation by US military planners. The inquiry has reached a preliminary conclusion that engineers have underestimated how much pressure is on the multi-warhead missile as it travels through the water from its submarine launcher.

The failure of the two undersea tests, including this week's abortive firing, may threaten the current target date of March 31 1989 for US deployment. In Britain, the missile is not set to become fully operational until 1994.

Rear Admiral Kenneth Malley, head of the Navy's ballistic missile programme, told the New York Times that despite computer simulation, engineers had miscalculated pressure on the 44-foot missile, which weighs 130,000 lb at launching.

Another problem lay in the turbulence created by the missile in the water, which harmed the operations of its rocket engines.

As a result of the miscalculation, Admiral Malley said, the original nozzles on the missile's first-stage rocket had to be redesigned. This happened after the first test missile exploded on March 21, four seconds after take-off.

The Trident II, which is supposed to be the mainstay of the sea-based sector of America's nuclear deterrent until 2032, was until recently praised as a model weapons programme. The chief contractor is Lockheed.

The British government has been in contact with the Pentagon about Trident's problems, and has voiced some concern. Officials said yesterday Trident had performed well most of its test-firings but conceded that 19 of these were on land.

Trident's difficulties come amid continuing problems surrounding the Stealth B-2 bomber, the radar-evading aircraft which cost more than $570m each. A test flight was cut short this week by mechanical problems.

NY banker admits insider trading

By James Buchan in New York

THE Wall Street fraud scandal yesterday claimed its most illustrious victim when Mr Robert Freeman, a partner at the blue-chip firm of Goldman Sachs, pleaded guilty to a single charge of insider trading.

The plea, part of a settlement between Mr Freeman and prosecutors, marks a humdrum ending to the far-reaching conspiracy case launched against Mr Freeman and two other investment bankers in early 1987. Charges against the other two, Mr Richard Wigton and Mr Timothy Tabor, formerly of Kidder Peabody, were dropped yesterday.

But Wall Street people say the plea bargain, which carries a maximum jail sentence of five years, further isolates Mr Michael Milken, the investment banker whom prosecutors have been pursuing doggedly for three years. Mr Milken, a banker at Drexel Burnham Lambert, faces draconian charges of racketeering in the market for junk bonds that he largely created.

In a long and emotional letter to his firm yesterday, Mr Freeman, the partner at Goldman Sachs responsible for risk arbitrage or takeover speculation, admitted he had traded for his own account in late 1985 on inside information provided by Mr Martin Siegel, a former Kidder banker who turned state's evidence 2½ years ago. Goldman Sachs said Mr Freeman was resigning.

Mr Freeman said he sold options in Beatrice when Mr Siegel tipped him off that a leveraged buy-out of the Chicago food company was running into trouble. Mr Siegel was acting for the firm behind the buy-out, Kohlberg Kravis Roberts.

But the Manhattan US Attorney is apparently not pursuing claims by Mr Siegel that he operated an insider trading ring involving the other three men. "This is frankly a commentary on Marty Siegel's credibility," said a person close to the case.

Generic drugs inquiry welcomed

By James Buchan

MAKERS of generic drugs, the cheap imitations of brand-name prescription drugs that are catching on in US health care, yesterday welcomed the announcement of a government investigation as a chance to save their industry from discredit.

The investigation, which involves samples of the 30 most commonly prescribed generics, was announced by the Food and Drug Administration in Washington on Wednesday after a scattering of embarrassing revelations about pay-offs and fraud in the $4bn industry.

"The industry is being painted with a pretty black brush," said Mr Robert Milanese, a senior official of the National Association of Pharmaceutical Manufacturers. "But there is no instance of therapeutic failure, nobody died, nobody got hurt. The investigation is a way of asserting the safety and effectiveness of generic drugs."

Doctors and hospitals have moved increasingly to prescribe cheap generics in place of brand-name drugs as they come under intense pressure from the federal government and insurers to cut medical costs. Generic drug sales are expected to be as high as $8bn a year by the mid-1990s.

But the industry has been badly rattled by confessions from two generic-drug companies that they forged information in their application for FDA approval. Meanwhile, a group of former FDA officials have admitted receiving bribes from generic drug makers to speed approval.

Sarney sends proposals for privatisation to Congress

By Ivo Dawnay in Rio de Janeiro

PRESIDENT José Sarney of Brazil has submitted legislation to Congress preparing the ground for the privatisation of 18 state-sector companies and the punishment of tax evaders.

But in an accompanying evaluation of a congressional emergency package of anti-inflationary measures, submitted to his office this month, the president has ruled out radical measures to halt subsidies and tax incentives.

This last proposal would have involved big, immediate budgetary savings, as economists estimate that fiscal incentives could remove as much as $6.3bn (£4bn) in revenues next year alone.

But it is understood that legal advisers have warned the president that the proposal by a congressional coalition to order a nine-month suspension of incentives and subsidies conflicts with Brazil's new constitution. This ensures that citizens' "acquired rights" cannot be removed.

Under a proposed new budget, submitted for congressional approval this month, up to 50 per cent of incentives will be axed as part of a fiscal austerity package that would also impose a 50 per cent cut in investment programmes, a wealth tax and new taxes on share-dealing.

BRAZIL'S monthly trade surplus slumped from a record $2.2bn in June to $1.4bn last month after a surge in imports, Ivo Dawnay writes.

Overseas purchases rose to $1.7bn, the largest monthly figure since 1982 and a 60 per cent increase on the same period last year. The drop in export sales, to $2.1bn from $2.6bn in June, has led to fears that exporters are delaying foreign sales in anticipation of a rapid depreciation of the New Cruzado against the dollar.

Several leading economists in the Congress are not convinced, however, that the combined proposals are enough to squeeze the budget deficit and put downward pressure on inflation, now believed to be about 30 per cent a month.

Experts have calculated the likely budget deficit next year under the current proposals at as much as 3.5 per cent of Gross Domestic Product.

Under targets negotiated with the IMF last year Brazil aimed to reduce its deficit to 2 per cent of GDP this year, balancing the budget in 1990.

Current official estimates say the deficit this year will probably exceed 5 per cent of GDP.

Mr Sarney's privatisation proposals, on the other hand, are likely to attract opposition from congressmen less concerned with the country's haemorrhaging public accounts.

Nationalists, who abound in all political parties, are fiercely opposed to privatisation in principle, but most particularly of state companies in profit.

Among the 18 state enterprises earmarked for disposal are several successful companies, including the Acominias and Usiminas steel-makers and several chemical and fertiliser producers.

Various methods of privatisation are envisaged, ranging from straightforward sales of assets, new share issues, and what appears to be a form of management take-over with the government simply withdrawing from an executive role.

One estimate has it that at least 12 companies can be sold within a year, raising $1bn for the national treasury.

A measure of the lack of Brazilian familiarity with the privatisation process, now familiar elsewhere round the world appeared in the banner headline of the normally-liberal Folha de São Paulo newspaper.

"Sarney wants to privatise even profitable companies," it read.

Argentine economic reform bill approved

By Gary Mead in Buenos Aires

ARGENTINA'S Congressional lower house has given final approval to one of President Carlos Menem's two main pieces of legislation, the Administrative Reform of the State bill, designed to cut state spending and pull the country out of its economic collapse.

After an all-night session on Wednesday the house of deputies passed the bill, which gives central government sweeping powers over state-owned companies. Mr Menem's government, led by Mr Roberto Dromi, Public Works Minister, will now be able to privatise completely or bring private capital into nationalised industries, which this year are on course to turn in a total $5.5bn (£3.5bn) deficit.

Although the legislation was introduced by a Peronist government, many congressional members of Mr Menem's own party strongly opposed in the lower house two articles of the bill. One permits the use of debt capitalisation in selling state-run companies, and the other refers to proposed sales of nationalised petro-chemical companies.

Nevertheless, those two clauses were left in the bill, as the Peronist bloc decided to exercise party discipline. Internal Peronist opposition waned following a direct appeal by Mr Menem to approve the bill.

The law contains many controversial articles, not least that giving Mr Menem's government full powers to dismantle Argentina's powerful state sector, set up and developed by General Juan Perón in the 1940s and 1950s.

One of the most sensitive clauses of the law suspends for two years any legal action against the state by those individuals, companies, provinces or municipalities to whom the state is indebted. Official estimates suggest there are 40,000 such cases on file.

● A bomb exploded early yesterday morning under the car of Mr Saul Ubaldini, secretary general of the General Confederation of Labour (CGT), Argentina's trade union organisation. No-one was hurt.

Army officers' return foreshadows amnesty

By Gary Mead

FOUR Argentine army officers implicated in recent rebellions have returned to active service, apparently as a precursor to a more general amnesty for dissident soldiers.

Lt Col Jorge Di Pasquale, and Majors Osvaldo Vercellotti, Danilo Campos and Alberto Velloso, were removed from active duty in 1988 for continuing to support Lt Col Aldo Rico, who led insurrections in April 1987 and January 1988.

The four officers were relieved of their duties by former army chief of staff General Dante Caridi, who was himself removed in December 1988 after the third rebellion, led by Col Mohamed Ali Seineldin. Both Col Seineldin and Lt Col Rico were freed this week from detention in barracks and permitted to live at their homes.

These moves by Gen Caceres, the new chief of staff, are regarded as part of a gradual process of easing sanctions against the army rebels, before a general amnesty for all those who participated in the mutinies. It is known that President Carlos Menem gave an undertaking to the Seineldin faction of the army that, if elected, he would pardon all officers currently in prison or awaiting trial for human rights abuses committed during the 1970s "dirty war".

The insurrections had as their initial grievance the previous administration's attempt to prosecute military personnel for human rights crimes. However, by the time of last December's mutiny the rebels had broadened their demands to include the sacking of several senior generals.

Despite speculation that Mr Menem is about to announce a general pardon for both military and civilian guerrilla participants in the "dirty war", no official word has been given.

Little progress seen in cutting US fiscal deficit

By Anthony Harris in Washington

VIRTUALLY no progress has been made in cutting the US fiscal deficit, according to figures released yesterday by the Congressional Budget Office (CBO), a widely-respected non-partisan agency.

It projects a deficit of $141bn, compared with a Gramm-Rudman target of $100bn, for fiscal 1990, which begins on October 1, and sees virtually no improvement on present policies in the following three years. Under the Gramm-Rudman-Hollings deficit reduction law, the budget must be balanced by 1993.

The CBO projection, which was operationally important under the original GRH law, is now purely advisory, but is likely to sharpen scepticism about the White House projections prepared by the Office of Management and the Budget (OMB), due to be published next week.

This is the OMB "snapshot" which determines whether a sequestration – an across-the-board cut in discretionary policies - will be required to reduce the deficit implied in current policies. It is generally expected to show a 1990 deficit of about $116bn, requiring further cuts of $5-6bn to reach the $110bn deficit which is the ceiling under the GRH law. This is the sum which the OMB estimates could be raised next year by the cut in capital gains tax requested by the president.

For future years the OMB, like the CBO, sees severe problems in meeting the targets, requiring further policy changes, but on a much more manageable scale. It recently projected deficits of $90bn in 1991 on administration policies, against a GRH target of $63bn, with some modest further progress by 1993.

The administration has shown growing anxiety in recent weeks about lagging US economic growth, which might require smaller revenue projections and higher deficit projects.

Indian troops enmeshed in tangled Tamil web

David Housego, recently in north Sri Lanka, reports on fears of a bloodbath should Delhi withdraw

CAN India withdraw her forces from north Sri Lanka while safeguarding their honour and prestige in a way that is the dream of governments extracting themselves from a messy situation?

In the Jaffna peninsula, the heartland of the six-year Tamil conflict for a separate state, feelings are torn between the longings for peace of an exhausted people and the fears that the departure of the Indian troops will be the prelude to another war.

Everywhere, the flat landscape, criss-crossed by a maze of lanes that provide ideal cover for guerrilla operations, bears the scars of the savage fighting. Houses remain flattened from the bombardment of the area by the Sri Lankan armed forces over two years ago – in what now seems that distant period before the arrival of the Indian troops and when India was still looked on as a benefactor. Burned out vehicles have been left to rust.

In the streets of Jaffna town and in the villages there are few young men to be seen. Some have left. Others stay at home to try to avoid conscription into the new India-backed Civilian Volunteer Force or the counter-pressures from the Tamil Tigers, the most powerful of the Tamil groups and the one still fighting for a Tamil state. Many middle-class professionals – engineers, doctors, accountants – have also left.

A soldier of the Indian peacekeeping force stands on guard in a Jaffna street on Tuesday

Indian officers rightly point to the signs of "normalcy". Jaffna town boasts the one university in the country that is open, though the schools are closed. In the town and suburbs regular patrolling by the Indian Peacekeeping Force (IPKF) means that there are not the paralysing strikes that the extremist Sinhalese movement, the JVP, imposes on the south. But for the last six weeks Jaffna has been blacked out at night because JVP action further south has resulted in power cuts.

But the hopes of peace, as expressed in the scars of conflict, are offset by the preparations for continuing war. Relations between the rival Tamil factions – EPRLF, LTTE (Tigers) and EROS – have been poisoned by feuds and killings. In the centre of Jaffna, the EPRLF and EROS, two of the groups which have agreed to participate in the democratic process, guard their offices with stone barricades and machine gun posts as though this were Beirut.

"There are more weapons in this area than before the accord," says Mr V. Balakumar, the secretary of EROS, referring to the Indo-Sri Lanka accord of two years ago which provided for the laying down of arms. "Weapons will be a permanent factor in our society."

The EPRLF, whose secretary, Mr A.V. Perumal, is Chief Minister of the Indian-supported north-east provincial council, has been trying to build up the Civilian Volunteer Force in part to protect itself from reprisals by the Tigers.

In nearby Vadaramatchi district, stronghold of the Tamil Tigers, the Tigers have stepped up armed patrols and attacks on the Indian forces in the past two months both as a way of demonstrating their power to their Sri Lankan rivals and of driving the Indians out. The timing coincides with their understanding with President R. Premadasa on accelerating the Indians' departure.

"If India just pulls out there will be a bloodbath," says a senior member of the Tamil community. He does not believe there can be peace without the Tigers being brought into an agreement. But the Tigers reject Indian proposals for a conciliation committee among the Tamil groups and refuse to sit alongside Mr Perumal whom they term a "quisling".

As an organisation which can help the Tamils achieve their political goals of greater autonomy and provide for their security, the Indian Peacekeeping Force has largely eaten up its credit. The Indians were welcomed by many Tamils – excluding the Tigers – when they arrived after the hammering the Tamils had taken from the Sri Lankan army.

But the Indians have suffered the unpopularity that comes to foreign armies fighting "dirty" wars outside their frontiers. As a Hindi-speaking army, they have found it hard to win hearts and minds among a Tamil population. "They should have had more understanding with the community and tried, for instance, to get youth leaders together," says Dr R.Theivendran, the head of the local Red Cross. They almost certainly made a political blunder in putting their weight behind Mr Perumal whose support is confined to the east and whose EPRLF is hated for its brutal methods.

What the Indian force has been able to do is to eliminate many of the Tigers' senior cadres. The Tigers are a much depleted guerrilla group which is increasingly relying on children and teenagers in its operations. But the Indians will not be able to leave honourably unless the Tigers allow them to do so. Equally the Tigers, should they ever come to power, will be dependent on their northern neighbour. The logic of the situation is that one day the two sides again sit down to talk.

Amnesty International yesterday called on the Sri Lankan Government to halt what it called a rising tide of killings, disappearances, torture and arbitrary detentions by government forces, Reuter reports from London. The London-based human rights group also called for an inquiry into the killing of unarmed civilians by Indian troops in Sri Lanka and said it had urged Indian Premier Rajiv Gandhi to encourage restraint.

Tamil guerrillas killed 23 Indian soldiers in northern Sri Lanka early yesterday, official sources said. Since June, Amnesty said, hundreds of deliberate killings of unarmed civilians by government forces had been reported in the south, including executions of suspected members of the Sinhalese JVP. Army personnel had been seen "raiding houses and taking youths away at random," Amnesty said.

Rafsanjani emphasises fears over economy

By Victor Mallet

HOJATOLESLAM Ali Akbar Hashemi Rafsanjani was sworn in as President by the Iranian parliament yesterday and immediately emphasised the urgency of economic recovery and the need to consolidate the Gulf war ceasefire with Iraq.

Reaffirming both his pragmatic international image and his domestic popular appeal, Mr Rafsanjani concentrated on the shortcomings of the 10-year-old Islamic revolution instead of heaping abuse on the US and the West.

"Times are very different from the past," he said in his inaugural speech. Lamenting poverty and hunger, Mr Rafsanjani told the assembled members of parliament: "It cannot go on like this."

The President, elected last month, urged Iranians in exile to return to their homeland and help repair the economy.

Mr Rafsanjani said he had already chosen most of the cabinet he is expected to name on Sunday – with the exception of two or three ministers – and he insisted that factionalism played no part in his decisions.

But the power struggles which intensified after the death of Ayatollah Khomeini in June continue. Hardline Iranian leaders have repeatedly sniped at Mr Rafsanjani's pragmatism and contradicted him since the July 28 election, and yesterday the late Ayatollah Khomeini's son Ahmad joined the fray on the side of the radicals.

Whereas Mr Rafsanjani and his allies have suggested a deal with the US to help release the Western hostages held by pro-Iranian groups in Lebanon, Ahmad Khomeini rejected cooperation and said: "Our officials will slap America on the mouth and and drive it out of the Middle East".

Again in contrast to Mr Rafsanjani, he scorned the idea that economic difficulties could force the Iranian revolution to adapt. Even when Mr Rafsanjani names his cabinet, the parliament could flex its muscles by rejecting some nominees.

Nor will his attempts at economic reform be easy. The scepticism among Gulf traders about Iran's prospects are underlined by the poor showing of the Iranian rial on the free market. Reuters said the rial was trading in Dubai at 1,300-1,400 to the dollar, nearly 19 times the official rate and close to its record low during the Gulf war.

Japanese money supply rises 9.8%

Japan's money supply growth remained higher than the authorities wanted last month: the main measure, M2 plus certificates of deposit, rose 9.8 per cent year on year to Y434,700bn (£1,938bn), according to a preliminary report from the Bank of Japan, writes Ian Rodger in Tokyo.

It was the third straight month in which the growth rate was less than 10 per cent following a period of more than two years of consistent double digit growth. However, last month's rate was slightly higher than the 9.4 per cent rise in June.

A central bank economist said that the growth rate was still higher than it should be.

Gandhi ahead in poll

An opinion poll in the independent fortnightly India Today gives Mr Rajiv Gandhi's Congress-I a clear majority in the coming general elections provided India's many opposition parties fail to field just one candidate against the ruling party in each constituency, K.K. Sharma writes from Delhi.

If moves for opposition unity succeed, the poll shows that Congress-I with its allies and the combined opposition would get around 260 seats each in a house of 542.

The poll results give the Congress-I 345 seats if opposition parties remain divided.The India Today poll, conducted every six months, is limited since it covers only 30 constituencies but is considered to be the most scientific in the country. No further poll will be held before the election which must be held before the end of the year.

Cambodian effort

Delegates to the Cambodian peace conference have renewed efforts to reach agreement over the form of an interim government to take the war-stricken country through the run-up to general elections, George Graham writes from Paris.

Prince Norodom Sihanouk, leader of the resistance coalition, yesterday came out in favour of a compromise proposal which envisages a four-party body, including the three coalition parties and the Phnom Penh government, to supervise elections, but with the reality of power shared between his own supporters and Phnom Penh.

Investigation into BNL for Iraq dealings

By Alan Friedman in Milan

BANCA Nazionale del Lavoro (BNL), Italy's largest bank, is at the centre of an international investigation by US and Italian banking authorities concerning what BNL last night described as "procedurally improper practices" relating to the financing of exports to Iraq by leading US and European corporations.

Details of the improper practices were not available last night, but the Italian bank revealed that it has replaced the head of a US branch of the bank where the "unauthorised transactions" took place.

A spokesman for BNL also disclosed that the investigation concerns the financing of exports of agricultural products, machinery and agricultural and industrial plant by letters of credit guaranteed by the Iraqi central bank.

"The companies involved in the exports [to Iraq] were all very big US and European corporations, including Italian companies," according to BNL. The bank said it could not name the companies involved nor could it disclose the sums involved, which are currently the subject of discussions with the Iraqi central bank.

The Bank of Italy said last night that its inspectors are investigating the Iraqi-BNL affair and are co-operating with investigators from the Federal Reserve. "We have inspectors working with the Fed in New York, Washington and Atlanta," explained an Italian central bank official.

BNL last night categorically denied that the Iraqi matter concerns any arms exports, adding that among the exports were wheat shipments.

Canberra's tighter policy 'may be insufficient'

By Chris Sherwell in Sydney

THE magnitude of Australia's external economic problems was underscored yesterday when the Reserve Bank warned that the Government's present tight monetary policy might not be enough to wind back the country's record A$17.4bn (£8.3bn) current account deficit.

In a peculiarly sombre annual report, the Bank also disclosed that Australia's net external debt had grown still further to A$110bn in June, up from A$104bn in March. This is more than $83bn at current exchange rates and equivalent to 33 per cent of Gross Domestic Product.

The report's blunt language says that the size of the task ahead "should not be underestimated" that it is "imperative" to reduce both the current account deficit and the inflation rate, and "essential" to alter incentives to prevent these problems re-emerging in the next upswing.

The report also contains abject admissions that policymakers failed to recognise how fast the world economy was growing in 1987 and underestimated the strength of domestic demand last year. It is even uncertain whether current policies have started a slowdown.

"Retention of the present stance of policy should produce more significant restraint of spending as 1989-90 progresses," the report says. "Whether this will also be sufficient to lay the groundwork for winding back the current account deficit is uncertain; there are risks it may not."

These risks, it adds sharply, "will be much greater if there is a substantial slowing of world growth and a decline in commodity prices".

Regarding the A$110bn net debt figure, the Bank says the increase had led to a rise in the costs of debt servicing to about A$9bn in the year to June, equivalent to about 17 per cent of Australia's total export receipts.

The Bank says emphatically it does not share the opinion – recently advanced by a Canberra economics professor – that, because most of the debt is owed within the private sector rather than by government, it is of little consequence.

In other pointed comments, the Bank highlights the limits of monetary policy. It says tight monetary policy can reverse a demand surge but adds that it can have perverse balance of payments effects if it produces an exchange rate appreciation. Moreover, it will not produce the longer-term structural benefits Australia is seeking and can inhibit them by hurting investment.

The Bank's own experience from 1987 also showed the need for "great caution" in adjusting monetary policy in response to decisions on other policies. In its view, the results of a tightening of fiscal policy have to become apparent before they can permit a lifting of the burden from monetary policy.

For monetarists, there was this remark: "There has been no stable or predictable relationship between growth of particular financial aggregates and growth of activity and prices over the past decade."

In fact the aggregates "tend to react to, and follow, movements in activity".

Fresh crusade to make industry competitive

IT OCCUPIED only a couple of brief sentences in his budget speech on Tuesday, but the announcement by Mr Paul Keating, the Treasurer, of a new Industry Commission heralds another attempt to tackle impediments to industrial competitiveness in Australia's economy.

In its six years in office, the Labor Party Government has made a virtue out of economic reform. But the job has grown harder as the focus has shifted from the macro-level – floating the Australian dollar and deregulating the financial sector – to the micro-level.

To the Government's credit, important changes are already under way in such areas as grain, sugar, oil, shipping, aviation and telecommunications. And the round of productivity-based wage bargaining which is just beginning offers a transparent opportunity for employers to improve workplace efficiency if they handle it properly.

But the steady overhaul of the taxation system is still suffering from the failure in 1985 to win support for a consumption tax. Widespread tariff reductions have left anomalies in areas such as textiles and clothing. And privatisation remains political dynamite.

Just as worrying, the list of areas still to be tackled remains formidable – hence the Industry Commission. According to Mr Keating, who is clearly in the driving seat over micro- as well as macro-economic reform, the Commission will be a "catalyst for dynamic change" as the Government's review and inquiry body on industry.

The body replaces the outdated Industries Assistance Commission (IAC), best known for its pungent criticism of the enormous costs of government assistance policies for industry. It is also taking over the tasks of the Inter-State Commission, which studies transport, and the functions of the Government's business regulation review unit.

Mr Keating hoped the new Commission would also incorporate bodies like the Bureau of Industry Economics and the Bureau of Agricultural and Resource Economics. But this was apparently rejected by other ministers at a heated pre-budget Cabinet meeting.

Despite this, the two-year work programme announced for the Commission suggests that it will be tackling head-on some of the micro-economic and infrastructural reform issues still demanding action. The naming of its chairman reinforces that view.

He is Mr Tony Cole, a former adviser to Mr Keating when he became Treasurer and currently a deputy secretary in the Prime Minister's Department. He will also be the principal author of the respected Australian study on international financial sanctions against South Africa.

Top of the list of inquiries for the Commission is Australia's energy generation and distribution sector, an area renowned for its inefficiencies which involves the state governments. The inquiry will cover both efficiency of resource use and options for separating generation from distribution.

Second is the railway system, another highly inefficient sector operated by the state governments. Third, and even more interestingly, is the country's still-protected car industry, on which the Commission must produce a report well ahead of the present car plan's expiry in 1992.

Also selected for specific scrutiny among the total of 18 topics are the construction costs for mining, manufacturing and processing plant, widely reckoned to be higher in Australia than in the US or Europe.

Broader areas are to be studied as well, like the availability of capital under Australia's deregulated financial system.

In a radio interview after the budget, Mr Cole acknowledged that the task facing him was "daunting", but said he would tackle his work by following the IAC's procedure. "We'll be exposing the issues, the interests, the costs and the benefits," so that informed decisions could be made.

Fittingly, he also praised the IAC, calling it "an icon for economists" which had created a consensus against high levels of protection for industry – and in the process worked itself out of a job.

Philippine debt deal stressed as 'voluntary'

By Stephen Fidler in London and Greg Hutchinson in Manila

THE Philippines' agreement with leading creditor banks – the second important debt accord reached in principle since Mr Nicholas Brady, US Treasury Secretary, launched his debt initiative in March – differs in important respects from the first, for Mexico.

Those responsible for the agreement are stressing the deal's "voluntary" nature, an implicit reference both to the political pressure applied to get the deal done for Mexico and the fact that some leading banks strongly opposed the 35 per cent discount on old loans incorporated as one option in the Mexican package.

There is no negotiated discount in the Philippine deal. Instead the country will probably attempt to reduce its debt initially using a debt buy-back. In the secondary market, Philippine government debt rose in price yesterday from 51 to 52 cents on the dollar. Cash for this is expected to be provided by official lenders – the International Monetary Fund, World Bank and the Japanese government – to the tune of between $1.3bn and $1.5bn. With banks tendering debt, no individual bank can claim it has been asked to reduce loans by more than it wished.

There is more emphasis than with Mexico on new loans. With $13.2bn of bank debt (including significant short-term debt) out of a total of $27bn, debt reduction would not provide the $1.7bn of annual cash flow relief which the Philippines needs.

In fact, bankers say the Philippines approach benefits an economy in reasonably good shape and with a reasonable expectation of normal market access. It could, they say, be usefully applied by the Venezuelans, whose debt negotiators are scheduled to talk next week with leading banks but who have been demanding a 50 per cent discount from banks on old loans.

Meanwhile, the Brady option of deep debt reduction could more usefully be applied to debtors with no immediate hope of market access, it is argued. Ecuador is one such country, whose loans trade at a deep discount to face value.

But some believe the raising of new loans (the new loans will be raised by issuing bonds, giving them an implicit superiority of the old loans) will be extremely difficult. It was the difficulty of raising new funds which led the US to revamp the approach to the international debt strategy to emphasise debt reduction.

New money was unavailable from creditor banks last year at 7/8 per cent above the London Interbank Offer Rate, while the new agreement provides for loans at a margin of 13/16 point. In Manila, the hope is that banks with relatively small exposures are likely to take the debt reduction option, which would retire about $1.4bn at a buyback cost to the Philippines of about $650m.

Details of the accord are to be finalised in September after the Philippine panel has had the opportunity of briefing President Corazon Aquino and Philippine legislators.

The Philippine economy grew by 6.7 per cent in real terms in 1988 and although government officials see the rate falling to an even 6 per cent by the end of 1989, this is a far cry from the nearly 15 per cent negative growth in the three years before President Ferdinand Marcos was overthrown in February 1986.

Paris Club and World Bank negotiations earlier this year resulted in restructuring the Philippines debt. However, in the light of Mexico and its breakthrough agreement allowing banks to refinance debt at subsidised interest rates, Manila's latest debt package is in for a stormy reception at home.

Japan prepares to stem the rising tide of boat people

JAPAN, confronted by a surge in landings of Vietnamese boat people, has begun a policy review that could lead to the labelling of some arrivals as economic immigrants and the partial closing of the region's last open door for Indo-Chinese refugees, Robert Thomson reports from Tokyo.

A flood of refugees in recent weeks forced a meeting yesterday of 12 ministries at which the urgent need for extra facilities was discussed, along with the issue of whether the newcomers were political refugees or economic immigrants.

The country's two main refugee centres are overflowing, and recent arrivals are being housed in tents. So far this year, 1,422 Vietnamese have landed, compared to 219 for the whole of last year.

Japan does not screen refugees and allows all those who land on Japanese territory to resettle if they wish, but some government officials want the separation of economic and political refugees. The fate of those deemed economic refugees remains the most difficult question. An official at the Prime Minister's office, which convened yesterday's meeting, said there was a "possibility" the acceptance policy would be changed and the issue of economic refugees would be discussed further.

Under present policy, Japan has agreed to accept 10,000 Indo-Chinese refugees, a number which the Government assumed would not be reached until well into the 1990s. The figure is now around 7,000 and the quota could be filled some time next year.

Japan, with its non-screening policy, has become a more attractive destination as other countries have begun to close doors on refugees. Word has spread from already settled refugees that the country, once viewed as merely a transit lounge on the way to the US, Canada or Australia, makes a more than reasonable home.

The results of that changed perception are most obvious at facilities such as the Omura Reception Centre, near Nagasaki, where 447 refugees were being housed yesterday at a camp built to hold 200. Tents have been erected on lawns around the camp, and a hall has become a large dormitory.

Japanese officials suspect that refugee brokers in Vietnam have been directing customers here because of the tougher policies in Hong Kong and neighbouring countries. Boats often stop several times on the Chinese coast en route to Japan for food and fuel, and refugee officials say most recent arrivals have been in good physical condition.

Ministerial representatives yesterday discussed increasing the refugee budget. An official in the Prime Minister's office indicated that such a move this year was inevitable.

Painful economics behind guinea worm eradication plan

Julian Ozanne looks at a programme to combat the wide reaching effects of a preventable disease

IN a small village in the Nigerian tropical rain forest, Tayo Ofiki sat despondent and demoralised on a wooden bench. Above his right breast a thin white, worm protruded from an ugly open sore which had left a long trail of dried pus across his stomach.

Like almost a million impoverished farmers across Nigeria Tayo has been striken with guinea worm – a vicious and debilitating but easily preventable disease which causes piercing pain to its victims and which has had a devastating effect on agricultural production and school attendance across Africa.

A United Nations survey of a fertile rice growing area of south eastern Nigeria, which has a population of 1.6m, found that each year the farmers lost $20m in profits through lost production directly attributable to guinea worm.

"You can begin to imagine what this disease is costing Nigeria in rice and all the other crops all over the country," said Dr Donald Hopkins of Global 2000, a private organisation set up by former US president Jimmy Carter, which has launched a campaign to eradicate the disease by 1995. "Nigeria could recoup the costs of eradicating guinea worm in less than a year just in increased crop production."

When he has guinea worm Tayo can hardly walk. His small farm of yams, melons, maize and guinea corn is suddenly abandoned. At 35-years-old he has no idea how he has contracted the disease for eight consecutive years nor how he, and his fellow villagers, can prevent reinfection next year.

"We just bank on good luck and pray," he said. Guinea worm, or dracunculiasis as it is known medically, is a particularly unpleasant parasite ingested through drinking contaminated water.

Nicknamed "the fiery serpent" for the pain it causes, as many as three dozen worms, each of about one metre long, have been known to have matured in one individual before emerging through swelling.

After a twelve month life cycle the worms work their way out all over the body: through legs, ankles, fingers, breasts, scrotums and, in one case, through the tongue and lower jaw. One infant caught the disease in his mother's womb. The parasite has existed for hundreds of years and had adapted a particularly effective method of survival.

People who have guinea worms emerging from their body feel an immense pain and itchiness. As they walk through water to soothe the irritation the worm ejects thousands of invisible larvae into the water. The larvae are actively pursued and eaten by a small crustacean called a cyclops.

After maturing for three weeks inside the cyclops, the larvae become infectious and, once ingested, start developing into worms inside the human body.

"It takes only one person to pollute the water source for an entire community of several thousand," said Dr Hopkins.

Although it rarely kills, guinea worm cripples children and adults for as much as 100 days each year and can cause permanent disability, arthritis and muscle atrophy. During the peak of the guinea worm season, which often coincides with planting or harvesting time, whole communities are suddenly put out of action – stripping classrooms of their students and keeping workers off their fields.

Once a person is infected with guinea worm there is no known cure. The victim can only wait for the worm to work its way out over several weeks, twisting it a few turns around a matchstick as it does so.

Neither do people build up an immunity against reinfection. But Global 2000 believe that with the right level of political commitment and financial support and with some sensible policy changes, the disease could be eliminated by 1995, making it the second disease to be eradicated since smallpox.

The main reason for that optimism is that guinea worm is among the most easily preventible diseases in the world. It can be quickly eradicated by teaching people to boil or filter their water through a fine cloth, by treating the water with a chemical which kills off the larvae or by providing safe water sources like boreholes in endemic areas.

India, for example, reduced the number of recorded guinea worm cases from 45,000 in 1983 to 12,000 in 1988 after a concerted eradication campaign.

But progress in Africa, where most of the 10m cases reported annually are found, has been slow. That may change soon. At a donors conference in Lagos recently, Mr Carter launched Global 2000's "Guinea worm eradication Global strategic plan: 1989-95." The plans aims to assist governments, technically and financially, with eradication campaigns.

This includes assistance for survey work, national action plans, provision of protected wells, water treatment and health education. Special emphasis is to be put on countries like Nigeria, Ghana, and Burkina Faso where the disease is endemic nationwide.

Speaking at the conference which pledged $9.4m to be spent next year on "Target 1995," Mr Carter said: "Many of us could not keep our sanity with live worms emerging from our bodies over several weeks or months, let alone bear the effect on our work and school attendance. Yet no-one need suffer like this."

If Global 2000 can muster the political will and financial resources needed over the next crucial 18 months by 1995 Tayo, and thousands of farmers like him, may never again have to suffer the agonising pain, poverty and stigma created by "the fiery serpent."

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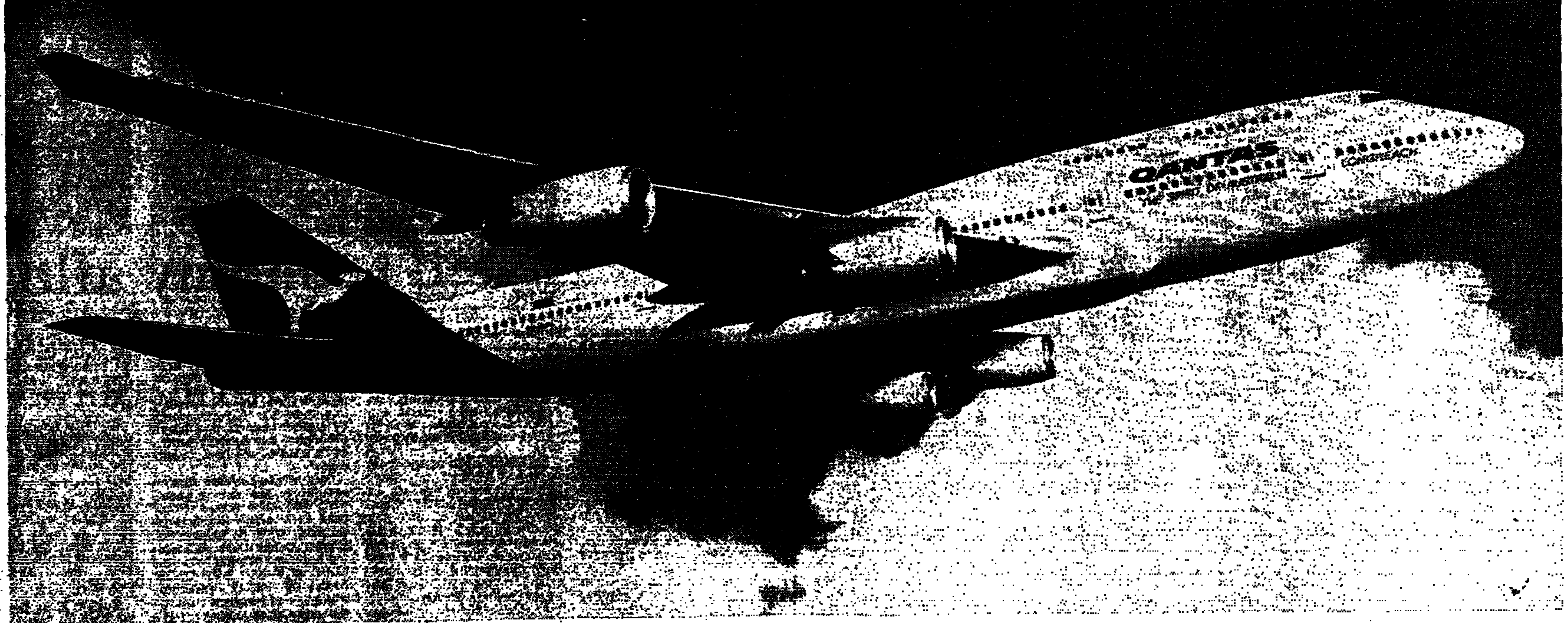


Yesterday, the most advanced long-distance aircraft ever to join the Qantas fleet became the first passenger aircraft to fly non-stop between London and Sydney. Technology aboard the new Qantas "Longreach", appropriately named after the small town from which Qantas pioneered long-distance travel, enabled it to complete the 18,000 km journey in twenty hours, nine minutes. Our Qantas "Longreach" is Boeing's latest 747 and has been specially designed to fly further than any other aircraft. So you can look forward to some big changes in our timetable when the first of the "Longreach" fleet begins its service in October.

QANTAS The spirit of Australia.

Tragedy of Middle East's proxy battlefield

As Lebanon's 14-year civil war hits new depths, Andrew Gowers, Middle East Editor, examines a seemingly intractable conflict

FOR THE past week, as Lebanon has suffered the latest and bloodiest convulsion in 14 years of sectarian strife, the outside world has found itself watching in horrified impotence.

Somewhere else, perhaps, a furious crescendo of shelling, thinly-veiled threats by an occupying army of one country against a minority in another, and calls by a beleaguered population for outside assistance would prompt more than words of concern from the international community.

But Lebanon is different. The latest phase of the conflict between Syrian troops and their Moslem militia allies on the one hand and forces under the command of Major-General Michel Aoun, the Christian army commander, on the other has prompted a mixture of anxiety and gloom in Western capitals. It has triggered a flurry of French diplomacy and the despatch of two French warships; an agonised attack on Syria by Pope John Paul II; and an urgent meeting of the UN Security Council summoned by Mr Javier Perez de Cuellar, the Secretary-General, under a little-used article of the organisation's charter which implies that he sees the conflict as a threat to international peace and security.

Beyond calling on Tuesday night for an "immediate and total ceasefire", however, the outside world has as yet shown little inclination to intervene directly in a conflict which has killed around 150 people since Thursday of last week and at least 750 since March, and has already emptied Beirut of most of its 1.5m population.

Still less have Security Council members been prepared to put forward new ideas for a way out of the political impasse which has spawned this unprecedented destruction. Everybody prefers to leave the task of mediation to a group of Arab states – Saudi Arabia, Algeria and Morocco – which have already admitted failure after two months of trying to bridge the gap between the warring parties. The underlying message is that the troubles of Lebanon are an Arab affair, and if the Arabs cannot sort it out, it is foolish for anyone else to try.

Depressing as that conclusion may be, it is scarcely surprising. Several of the foreign powers now transfixed by the carnage in Beirut have been badly burned there in the recent past.

Since American and French troops incurred heavy casualties during an ill-conceived "peace-keeping" operation in 1983, the outside world has learned two main lessons. First, it is impossible to step into the Lebanese maelstrom without wittingly or unwittingly becoming identified with one side or the other. Second, and more important, partial solutions to Lebanon's problems simply do not exist, because the sectarian divisions within Lebanese society have become more than ever trammelled up with the myriad conflicts of the wider Middle East.

The root of the trouble remains the central cleavage between Lebanon's Maronite Christian minority and Moslem majority, a divide which long ago destroyed the notion of a unitary Lebanese state.

Such a central power vacuum has acted as an open invitation to external meddling. The Maronites have sought the assistance of a long series of foreign protectors – ironically including Syria in the mid-1970s. Now both sides in the conflict have locked themselves into alliances with outside players, all of whom have their own cynical agendas, and Lebanon is hostage to an unprecedented number of other struggles.

First, the Arab-Israeli conflict has impinged on the country with brutal frequency – through the presence of Palestinian guerrillas and Israeli military actions to deter or uproot them; and through a continuing Israeli occupation of southern Lebanon.

The desire to guard its vulnerable western flank against a possible Israeli attack and the need for a strategic "card" with which to bargain for the return of the Israeli-occupied Golan Heights are perhaps Syria's overriding motives for maintaining its military presence in Lebanon. A Syrian withdrawal is inconceivable unless Israel pulls back across the border from its southern security zone – and that in turn is most unlikely unless and until the conflict as a whole is resolved.

Second, Lebanon's Shia Moslem community has been a principal target of efforts by Iran to export its Islamic revolution. Iran's strategic alliance with Syria enabled it to set up the Hizbollah (Party of God) organisation, whose hostage-taking exploits became an important tool of Tehran's foreign policy. By the same token, Lebanon is now an arena for the power struggle between pragmatists and hardliners in the Iranian Government.

Finally, Lebanon has for the last year been the main recipient of after-shocks from the Iran-Iraq war, and in particular of Iraq's desire to get even with Syria over its support for Iran. Since last summer's ceasefire, Iraqi President Saddam Hussein has been openly supporting Lebanon's Maronite Christians with arms and money, and the "war of liberation" which Gen Aoun launched against Syrian forces in March is at least in part a proxy war between Iraq and Syria.

At the centre of all these concentric rings of conflict is President Assad. Maintaining his presence in Lebanon has become a touchstone for the external and domestic prestige of his regime. This is why Gen Aoun's alliance with the old enemy Iraq raises especially acute fears in Damascus, why Syria sees a danger in any "internationalisation" of the conflict (for example through pressure from the UN Security Council) and why it has this week responded by reinforcing its alliance with Iran.

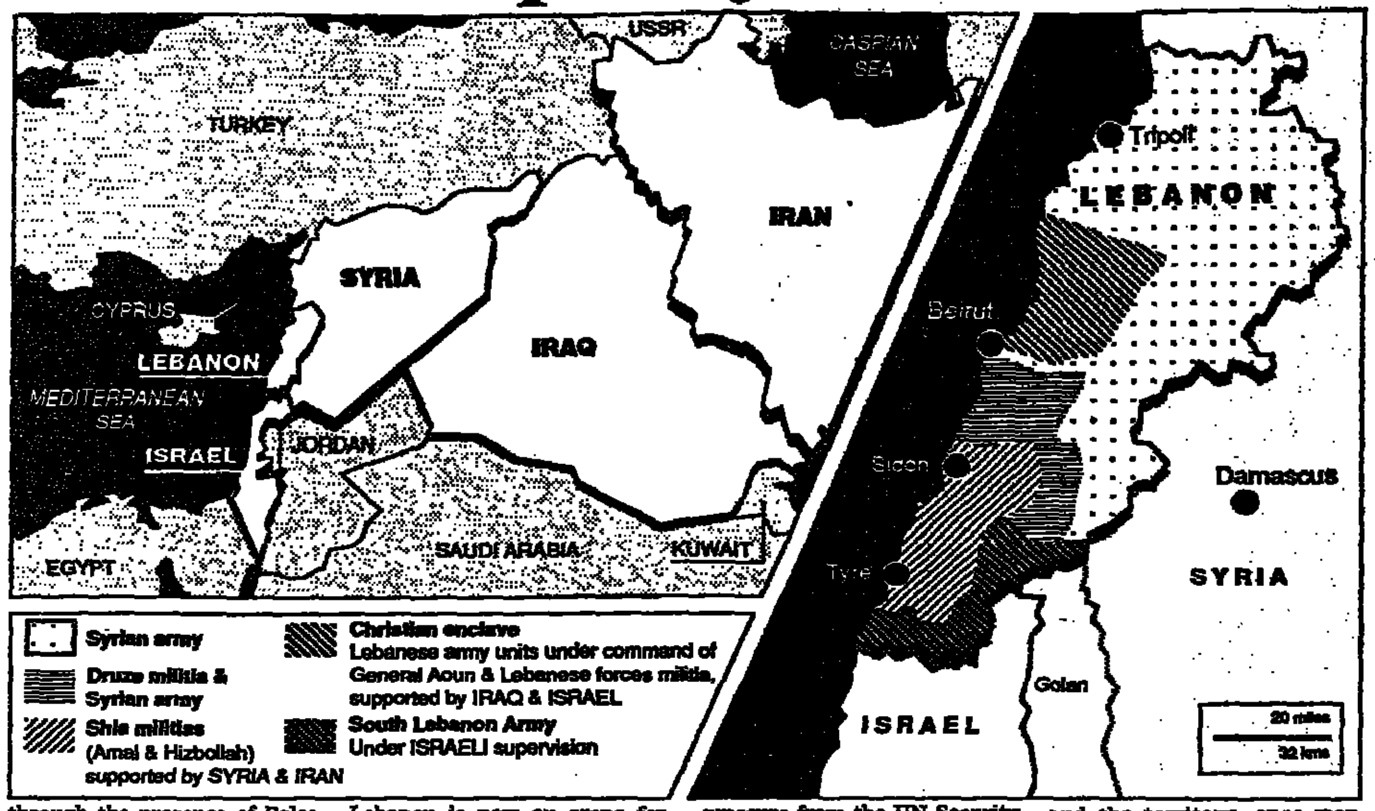
Syrian observers reckon that President Assad must be especially concerned about the growing groundswell of Arab opposition to his army's presence in Lebanon, which has up to now been nominally legitimised by an Arab League mandate. He is bound to see this as a political gain for Saddam Hussein at his own expense.

Nevertheless, there is little doubt at this stage that Mr Assad can withstand such pressures. The question is whether he will feel constrained to do something to counteract them, as he appears to have been threatening to this week by tightening Syria's siege of the Christian enclave.

Despite the sabre-rattling, many observers think that the Syrian leader would be reluctant to launch a full-scale ground incursion into the Christian enclave with the aim of toppling Gen Aoun. Such an operation would almost certainly involve heavy casualties and the territory, once won, would not be easy to hold. Better, Mr Assad may calculate, to allow the pressure on the Christians to continue ratcheting up, in the hope that their morale cracks and Gen Aoun is removed by his own people.

That leaves the question of Iraq, and of whether the current proxy war might spill over into a direct confrontation along the Syrian-Iraqi border. Again, this is not a particularly likely scenario. President Saddam, preoccupied with reconstruction after the eight-year Gulf war, is probably not disposed to let his army loose on a new front, and Mr Assad is in any case used to playing a long game.

For the moment, then, Lebanon is playing a particularly pronounced version of the role to which it has become accustomed in the past 15 years: as a convenient outlet and battleground for all the murky rivalries of the Middle East. It is a great tragedy for the Lebanese, but small wonder that the West is so wary of involvement.



General Aoun: an artillery officer, not a politician

By Lara Marlowe in Beirut

GENERAL Michel Aoun is one of a rare breed in Lebanon, an apparently uncorrupted man. When former president Amin Gemayel appointed him commander-in-chief of the Lebanese armed forces in 1984, the General set about reconstructing an army which had been decimated by nine years of civil war, militia rule and the Israeli invasion.

Gen Aoun won the respect of the 30,000 troops under his command and even brought the powerful Christian Lebanese Forces militia under tentative control.

But Lebanon's road to hell over the past five months was paved with Aoun's good intentions. By attempting to exert his authority as prime minister of a transitional Christian government over territory controlled by a rival Moslem cabinet, Gen Aoun disrupted the fragile equilibrium that had allowed Lebanon to lurch on in a state of semi-peace for the preceding two years.

Gen Aoun blamed the 40,000 Syrian troops in Lebanon for all of the country's evils: Drug trafficking, terrorism, disorder and sectarian differences were, he said, all products of Syrian intervention. His condemnation of "the foreigners" and insistence on Lebanon's sovereignty and its "liberation" tapped a dormant nationalism among Lebanese Maronites and many Moslems as well.

It was easy for the Christians to blame the Syrians for everything that was wrong in Lebanon, to convince themselves that if the Syrians left, Lebanon would return to the Westernised, Christian-controlled oasis of good living and efficiency that it was supposed to be before 1975.

Some Maronites, like the patriarch Nasrallah Sfeir and Gen Aoun's uneasy ally Samir Geagea, the Phalange militia leader, are believed to reproach Gen Aoun for two things. Gen Aoun took the fate of Lebanon's approximately 900,000 strong Maronite minority into his own hands without consulting other Maronite leaders. Worse still, many Christians in East Beirut have been complaining that he failed to foresee the Syrian response to his challenge and did not adequately prepare for the subsequent fuel shortage and sea blockade.

General Aoun's intense conviction sometimes borders on self-righteousness. When asked about the human cost of his "war of liberation" which has killed 774 and wounded another 2,073, Aoun replies that sacrifices must be made for freedom.

Even Gen Aoun's opponents admit his competence as a soldier, but he is increasingly criticised for his inflexibility and lack of vision. Gen Aoun is an artillery officer, not a politician.

Two political errors may ultimately be his undoing: his alliance with Iraq – a country which represents the very opposite of the democratic values he claims to be defending – is a blatant provocation to the Syrians, whose President Hafez al-Assad harbours an intense loathing for his Iraqi opposite number, President Saddam Hussein; and Gen Aoun's refusal to concede the need for political reforms is unjustifiable in a country where Maronite Christians represent perhaps 20 per cent of the population.

Most Maronites oppose reforms which would erode their traditional monopoly on political and economic power in Lebanon. However inaccurately, they say that Moslems would create a government which would turn into a typical Middle East dictatorship, complete with scores of "Mukhabarat" – security men – quashing all opposition. Even worse for the Christians is the fear of a Shia Islamic Republic.

Israelis content to see foes preoccupied

By Hugh Carnegy in Jerusalem

AS SYRIA'S conflict with General Michel Aoun deepens Israel watches attentively, a far from disinterested player in the violence engulfing Beirut.

There is a curious sense in which today's battles mirror Israel's own military misadventure in the city in 1982, when the Israelis, backed by Maronite militias, surrounded Moslem West Beirut in a bid to squeeze the Palestine Liberation Organisation out of the city.

Damascus accuses Israel of being in cahoots with Iraq in backing General Aoun. No doubt it suits Israel that Syria is pre-occupied with that battle, diverting it from potential confrontation with Israel both in Lebanon and on the Golan Heights.

Defence Ministry officials insist they have no desire to get directly involved in Beirut once more. Chastened by the experience of 1982, they say they are happy with the unstated stand-off between Syria and Israel in Lebanon of the last few years.

Mr Yitzhak Rabin, the Israeli Defence Minister, has warned Syria not to violate Israel's unspoken limits on military activity in Lebanon. And Mr Moshe Arens, the Foreign Minister, has attacked Syria bitterly for its actions and called for international moves to stop its assault on the Maronites.

But significantly, another minister, Mr Mordechai Gur, a former chief of staff, said a chief concern for Israel was the heavy backing for the Christians by Iraq, Syria's great Arab foe.

After the bloody failure of the 1982 invasion, Israel's posture towards Lebanon now is based on its continued occupation of a so-called security zone in southern Lebanon adjoining the Israeli border. The 10-mile deep zone – and its mainly Shia Lebanese population of around 200,000 – is controlled by Israel through a contingent of its own troops, thought to number between 800 and 1,000, and a surrogate militia of some 2,500 men called the South Lebanon Army.

From there it pursues a policy essentially of aggressive deterrence aimed at stopping attacks on northern Israeli population centres. Since the withdrawal from most of Lebanon in 1985, Israeli forces have launched numerous ground attacks and air strikes on suspected Palestinian and hostile Shia militia positions deep within Lebanon.

But the emphasis on containment contrasts with the grand strategy of June 1982, and the lessons of that operation at least give Israel real reason to pause when considering its response to Syria's assault on General Aoun.

Iraqi and Iranian involvement fuels flames of civil war

By Lara Marlowe

IRAQI and Iranian involvement in Lebanon has added further fuel to the flames of civil war.

General Michel Aoun would not have been able to take on President Hafez al-Assad's Syrian regime had the Iraqis not started sending weapons and money to Lebanon's Maronites in July 1988. And by then the nine-year-old alliance between Tehran and Damascus had allowed Iran to establish a substantial presence in Lebanon.

Iraq has fed the conflict by providing Soviet-made tanks, rocket launchers, howitzers and heavy machine guns, all shipped through the Suez canal and unloaded at ports controlled by the Christian Phalange militia in Beirut and Jounieh.

Phalangist officers have claimed that all this equipment is provided free of charge. There are rumours here that several dozen Iraqi advisers are already working with Aoun's men and that Iraqi "volunteers" may soon join the battle, although Maronite Christians tend to avoid talking about the Iraqi involvement.

Likewise, the secular Syrian regime – fearing Moslem fundamentalism in its own country – has until recently been reticent about links with the Iranian government which wanted to spread its revolutionary influence in Lebanon.

This week Iran's Lebanese allies, with the support of Dr Ali Akbar Velayati, the visiting Iranian Foreign Minister, committed themselves in Damascus to fighting Gen Aoun, behind whose army both Iran and Syria see the hand of their common enemy, President Saddam Hussein of Iraq.

Lebanon's Sunni Moslem and Christian populations are very much afraid of the Iranian presence and Syria's ability to control Iran's freedom of movement in Lebanon is a powerful weapon.

Five flights a week from Tehran to Damascus provide a steady stream of visitors to Lebanon. Most days, busloads of Iranians can be seen waiting at the customs and immigration post at Masnaa, on the Lebanese-Syrian border.

Entering West Beirut through Ouzai is a little like arriving in Tehran: portraits of the late Ayatollah Khomeini, black flags of mourning and memorials to Iranian Shia "martyrs" line the streets of the Shia Moslem area.

As ambassador to Damascus from 1982 until 1985, Hojatoleslam Ali Akbar Mohtashemi, the hardline Iranian Interior Minister, organised the implantation of as many as 1,000 Iranian revolutionary guards in the Bekaa valley. The revolutionary guards trained thousands of Lebanese Hizbollah militiamen, who are still loyal to Mr Mohtashemi.

Yet Syrian officials privately express embarrassment at their government's alliance with what some believe to be a country of fanatics.

The kidnapping of Westerners in Lebanon has given the Syrians an ambiguous role as intermediaries between the Iranians and Western governments seeking to obtain the release of their hostages. Syria – like the West – is waiting to see whether President Rafsanjani will prevail over his rivals in Iran. Mr Nabih Berri, the pro-Syrian Moslem Amal militia leader, has allied himself with Rafsanjani.

But Mr Berri's antagonists in the Hizbollah militia are still loyal to Mr Mohtashemi. If Rafsanjani is seen to control Iran, President Assad's alliance with Tehran will gain respectability. If Iranian hardliners thwart Mr Rafsanjani's attempts to improve relations with West and East, Syria will still have allies in Lebanon.

The only danger for Syria is that, given too free a rein, Iran and its Shia Moslem allies in Lebanon could pose yet another threat to Syrian power there.

Varying degree of loyalty among Syria's motley allies

By Lara Marlowe

SYRIA'S allies in Lebanon are an unstable mixture of Moslems, Druze and even Christians, with degrees of loyalty as variable as their religions.

Only Mr Walid Jumblatt's Druze Progressive Socialist Party militia in the Chouf mountains has used its artillery in this month's battles between Syrian troops and General Aoun's forces.

Damascus's other principal allies in Lebanon are Mr Suleiman Franjieh, the former Maronite Christian president who called Syrian troops into Lebanon in 1976; Mr Nabih Berri, the Shia Moslem Amal militia leader; Mr Selim al-Hoss, Prime Minister of a Moslem government in West Beirut; and General Sami Khatib, who commands Moslem units of the Lebanese army. None of these has done much more than publicly condemn Gen Aoun's "war of liberation".

Enmity between the Druze and the Christians goes back to the last century, and they last fought each other in the 1983 "mountain war" following the Israeli withdrawal from the Chouf. The Druze are a relatively small minority in need of a protector, so it is not surprising that they have so willingly fought alongside their Syrian mentors.

Mr Jumblatt, 42-year-old hereditary leader of the Druze sect, says: "We will never return to Maronite domination. I would prefer union with Syria to that."

Mr Franjieh, Mr Berri and Mr al-Hoss all say they would want the Syrians to withdraw from Lebanon if the country ever returned to peace.

Mr Franjieh has long been a close friend of Mr Hafez al-Assad, the Syrian president, and his alliance with Syria gives Damascus a foothold in the Christian community.

Although the 79-year-old Mr Franjieh has feuded with other Maronites, he has refused to allow his "Marada" (giants) militia based in northern Lebanon to become involved in a war against other Lebanese.

Mr Nabih Berri, a 51-year-old lawyer, controls the Amal (hope) movement which has attempted to unite Lebanon's most numerous and poorest community. Mr Berri's distrust of the Maronite establishment, which persisted in ignoring the Shias, led him to ally himself with Damascus in the early 1980s. Today, Lebanon's Shia Moslems are divided between the Amal, with its power base in southern Lebanon, and pro-Iranian Hizbollah militias.

The Sunni middle classes, although they live outside the Christian enclave, have been traditional allies of the Maronites. Mr al-Hoss, the 59-year-old American-trained economist who is Sunni prime minister, is a wise but powerless figurehead, uncomfortable in his role of providing legality for the Syrian presence.

President Assad: toehold in Christian community

Central banker fighting to keep a devastated economy afloat

By Lara Marlowe in Beirut

WITH its Persian carpets, green velvet sofas and moulded wood panelling, Mr Edmond Naim's office on the sixth floor of the Bank of Lebanon in West Beirut befits the governor of a central bank. But a sandbagged wall at one end of the room reminds you that this is Lebanon, and that Mr Naim is no ordinary treasury official.

Fifty armed men stand watch on the ground floor. There are shell holes on the second, third and seventh floors of Lebanon's central bank, where Mr Naim has lived – virtually a prisoner – in his specially installed apartment since the assassination of Moslem Prime Minister Rashid Karame in June 1987.

As a Maronite Christian in Moslem West Beirut whose name is often mentioned as a possible presidential candidate, the 70-year-old former law professor has adequate reason to fear for his life. With the assistance of four vice-governors, a Druze, an Armenian, a Sunni Moslem and a Shia Moslem, he now heads the only undivided government institution in Lebanon.

Mr Naim is threatened by any number of parties who might wish to destabilise Lebanon further. If he were killed, there is no Lebanese president to name a new central bank governor.

As well as overseeing the Lebanese banking sector and providing funds for Government salaries, the central bank is the sole guarantor of the sporadic but essential services which continue – telephones, electricity, government-subsidised bread, hospitals and ambulances. Mr Naim has angered militant Christians and Moslems alike by funding both the Christian government in East Beirut and the Moslem government in West Beirut – but refusing to equip their armies.

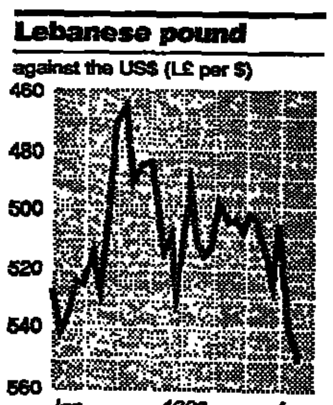
One of Mr Naim's many problems is the failure of either government to reimburse the monies paid to them. Tax collection – except by the militias – has all but stopped in Lebanon. Over the past three years, the central bank has paid out more than $844m for fuel imports, Mr Naim says.

Only a small fraction of this expenditure has come back, and Mr Naim wants the governments on opposing sides of the city to present accounts and return some of their profits for the fuel distributed at gas stations, and for bread sold in bakeries, to government coffers.

"When we announced that we would stop advancing credits until we received accounts for the fuel expenditures, we became the object of a campaign of defamation on the grounds that the central bank was 'depriving the poor people of fuel'," Mr Naim says.

Lebanese pound

against the US$ (L£ per $)



The Lebanese pound has fallen from L£2.5 to the dollar at the beginning of the civil war in 1975 to about L£500 to the dollar today. The currency falls against the dollar at the end of each month, because employers change money to pay salaries and bills. It rises again at the beginning of the following month. Mr Naim has fought the "dollarisation" of the Lebanese economy by requiring that Lebanese banks deposit more than 60 per cent of their capital with the central bank in Lebanese pounds.

Although Mr Naim has been forced to issue an increasing number of treasury bills to finance public debt, Lebanon's central bank has remained stable because of its gold – valued at $4.5bn – and almost $1bn in foreign reserves.

But the recent conflict has had severe effects on Lebanon's once thriving financial sector. The Beirut stock exchange, the foreign currency exchange and retail banks have often been closed over the past five months. The fighting has led to a further exodus of people and increased the flight of Lebanese capital abroad.

This effect is offset by a decline in imports stemming from the blockades that both Christians and Moslems are maintaining around the capital. Apart from legitimate commerce and industry, the economy is kept afloat by an undiminished inflow of "political capital" contributed by Iraq, Iran and Syria to their local militia allies; by remittances from emigrant relatives; by all manner of smuggling; and by the drug trade, which is estimated by one western diplomat in the region to generate about $4bn a year.

In recent months Mr Naim has not merely been working to keep what wheels the economy still has turning: he has also had to contend with serious problems in Lebanon's banking sector, exacerbated by the current conflict.

Since Bank Almashrek, Lebanon's second largest bank, collapsed last December in a welter of bad loans, five Lebanese banks in Europe have been shut by French and Swiss banking authorities. One of these, Banque de Participations et de Placements (BPP) in Lugano and Paris, was related to Almashrek. But the three banks which shut in April, May and July – Middle East Banking Company (Mebco) in Geneva, United Banking Corporation (UBC) in Paris and Lebanese-Arab Bank in Paris – had unrelated liquidity problems.

In Beirut, the news from Paris and Switzerland created panic among depositors of Mebco, Banque du Crédit Populaire (the parent of UBC) and Lebanese Arab Bank, and added to growing distrust among small depositors who increasingly prefer to bank with French or other non-Lebanese banks in Beirut.

Maronite Christian businessmen blamed "Syrian agents" for trying to destabilise the economy. The rumours and demonstrations prompted Mr Naim to issue a communique on July 6 in which he promised that the central bank would guarantee all deposits.

Mr Naim is trying to force some of Lebanon's 83 banks to merge, particularly the smaller banks with offshoots in Europe, although he is said to be encountering some resistance. "The Lebanese character is such that bankers will try to stay independent until the very last minute," says Mr Raymond Audi, director of Banque Audi, one of Lebanon's largest banks. "Mergers would be logical and solve a lot of problems, but healthy banks don't want to merge with sick ones."

Part of the problem foreign regulators are encountering with Lebanese banks stems from their arm's length relationship with European offshoots. Rather than maintaining branches abroad, Lebanese banks in Europe have tended to set up limited companies which – although owned by the same shareholders as the parent banks in Beirut – are legally unconnected.

This is seen by Lebanese financiers as an insurance policy to prevent problems in Beirut head offices feeding through to foreign subsidiaries. But it also means that the parent banks feel no obligation to increase their subsidiaries' capital if there is trouble, as would be the case with Western banks.

A French banking official comments: "We have the impression that these (Lebanese banking) groups are family dominated and that when there is trouble they just pull out."

A Paris magistrate is now considering five different applications to refloat the Paris BPP and is due to deliver his decision on August 31. Likewise, Lebanese Arab Bank has appealed to the French Council of State to rescind the closure order made by the banking commission. But the damage to Lebanese banks in Europe will not be undone so quickly.

Even in Paris, there has been no escape from the shockwaves of the recent fighting. "The shelling in Lebanon aggravated the problems of the Lebanese banks here," a French banking official says. "A lot of loans were based on real estate in Beirut as collateral. Maybe they were originally healthy loans, but they went bad because of the situation. Personal ties are very important in the Lebanese banks, but they can lead to bad loans."

WORLD TRADE NEWS

Kaifu aims to reassure US on economic growth

By Ian Rodger in Tokyo

JAPAN'S new Prime Minister, Mr Toshiki Kaifu, will meet with President George Bush in Washington on September 1 to try and ease concern in the US about the recent turmoil in Japanese politics.

Mr Kaifu, appointed last week, is Japan's third Prime Minister this year. The previous two, Mr Noboru Takeshita and Mr Sosuke Uno, resigned after being linked with scandals, and last month, the ruling Liberal Democratic Party (LDP) suffered a crushing defeat in elections to the upper house of the Diet (Parliament).

In a statement yesterday, Mr Tokuo Yamashita, the chief cabinet secretary, said the Government wished "to reconfirm the friendly and co-operative relations between Japan and the US, which are the basis of Japan's diplomacy, and have a frank exchange of views with the Bush administration on the problems the world is facing."

Japanese officials said Mr Kaifu wants to reassure the administration that Japan is still strongly committed to contributing to world economic growth by maintaining strong domestic demand and stepping up its aid to developing countries.

However, the new Prime Minister will probably also seek Mr Bush's understanding that it will be more difficult for the Japanese Government to co-operate with the US and other trade partners on other issues because of the still highly charged domestic political situation. An opposition coalition won control of the upper house in last month's elections, and is threatening to block LDP initiatives.

'It will be difficult for the Japanese to make concessions over trade'

In particular, it will be difficult for the Japanese Government to make concessions in forthcoming trade negotiations with the US and other foreign governments if those concessions would be unpopular at home.

Foreign ministry officials are especially worried about two sets of trade negotiations.

- US-Japan bilateral talks on structural barriers to trade are due to get under way next month and are expected to focus on the obstacles to imports caused by Japan's complicated distribution systems. Any attempt by the Japanese Government to deregulate the distribution systems would run into fierce opposition from a wide range of interested parties, from shop owners to large manufacturers.
- Next year, negotiations to reduce trade barriers in agricultural products are due to take place within the Uruguay Round of the General Agreement on Tariffs and Trade. Japan's prohibition on rice imports is one of the items to be discussed, but Mr Kaifu has already committed himself publicly in Japan to maintaining the prohibition. The defection of farmers from the LDP, because of the opening of markets on other products last year, was one of the main causes of the party's electoral defeat last month.

No choosing your neighbours in Maputo

Nicholas Woodsworth on South African economic domination of Mozambique

FOR FOREIGN businessmen newly arrived in Mozambique, paying a bill at the palm-fringed poolside cafe of Maputo's five-star Hotel Polana can prove something of a surprise.

As visitors reach into their pockets for Mozambican banknotes – $100 cashed at the airport gives them a massive wad of 74,200 metical – they are halted by a firm shake of the waiter's head: "We don't accept meticais," he says. "We take only South African rands, or US dollars."

That rands are cited before dollars as the currency of choice in Maputo is only one indication of the regional economic power of Mozambique's southern neighbour; the briefest stay at the Polana Hotel is sufficient to confirm the country's economic dependence on South Africa and the growing role of South African trade and investment in its shaky economy.

Many of the business conversations heard in the hotel bar, where the beer is South African, are conducted in Afrikaans. Most of the meals from the kitchen are made with imported South African produce.

The English spoken by some of the Polana's staff has been learnt in the gold mines of the Rand; foreign exchange remittances from nearly 50,000 Mozambican miners working there form a significant part of Mozambique's import budget, 12 per cent of which goes to buy consumer goods, raw materials, machinery and spare parts from South Africa. Even the electricity that lights the hotel comes from over the South African border, less than 40 miles away.

As one of the six black southern African "front-line states" politically committed to the dismantlement of apartheid, Mozambique has traditionally supported international sanctions against South Africa. As a country whose economy has been nearly destroyed by 13 years of war in which South Africa has been heavily involved, however, Mozambique is in no position to impose sanctions itself.

On the contrary the Government of President Joaquim Chissano is obliged to establish a working relationship with its militarily and economically dominant neighbour.

In 1984 the two countries signed the Nkomati Accord, a mutual non-aggression treaty in which South Africa agreed to cease assisting Renamo, the rebel organisation, if Mozambique ended its support for guerrillas of the African National Congress. Continuing covert South African support for Renamo led to a breakdown in relations, however, and it was only last year that further agreements were signed to revive the accord and promote bilateral trade.

Chissano: learning some tough history and geography lessons

Just a stone's-throw from the Polana Hotel lies South Africa's new, multi-million dollar trade mission.

"We are natural trading partners," says Mr Bush Terblanche, the mission's commercial and industrial representative, referring to the convenience of immediate rail delivery of goods from over the border, and to Maputo's historical role as a port for the export of mining and agricultural produce from South Africa's Transvaal province.

Mozambique is perceived as a first step in a long-term South African commercial strategy to develop an integrated southern African economic community. "There is a global tendency towards regional unification," says trade mission head, Mr David Laubscher, "and we see an absolute necessity to develop an economic community."

The concept is ambitious, and the unbalanced nature of South Africa's initial trade dealings with Mozambique illustrate the preponderant role it would play in such a community. In 1985 Mozambique imported $49m worth of South African goods; by 1987 the figure had risen to $75m. In the same period Mozambique's exports to South Africa rose from $3.1m to $4m. Overall, South Africa has now become Mozambique's third-biggest trading partner after the US and Japan.

While South Africa, as a demonstration of its good intentions, has established a list of Mozambican raw materials and processed goods allowed to enter South Africa under a reduced 3 per cent import tariff, the newly-revived commercial relationship will continue to be one-sided.

Along with its growing sales of consumer goods, machinery and spare parts, South African commercial development projects currently include:

- A R6m (£1.4m) programme for the rehabilitation of Maputo port, through which Transvaal citrus products and coal are exported.
- A R12m Transvaal Citrus Board project to improve refrigeration facilities in Maputo for the export of 8m cartons of citrus products annually.
- An industrial egg and poultry business established in Maputo by South Africa's Premier Industries.
- A feasibility study by South African Pulp and Paper Industries for the establishment of a plant in southern Mozambique.

Plans for the future are much bigger. The South African trade mission says Anglo American of South Africa has good prospects next year of securing a R200m contract to develop Mozambique's Pande gas fields, and reports that South African interest in developing its Moatize coal fields is high.

The South African tea grower Sapeko is looking into the development of tea plantations, while Irvin and Johnson is pursuing investment plans for fishing fleets and a fish processing plant in the Mozambican port of Beira.

The greatest limitation to the growth of South African trade and investment in Mozambique remains the rebel war.

"If the security problem is resolved," says Mr Laubscher, it will tremendously increase the possibilities of our involvement."

South Africa now finds itself contemplating the military protection of future investments against a force it helped create.

S Korean-US cinema dispute heads for a happy ending

By Maggie Ford in Seoul

TEARGAS AND FIRE have made an unwelcome reappearance in South Korea, not during a demonstration, but in a cinema.

Patrons left one cinema sneezing and crying after teargas was placed under the seats. At another, the screen and several seats were destroyed in a fire which police believe was started deliberately.

Both cinemas were showing films, including *Indiana Jones and the Last Crusade*, imported directly by the US distributor, Universal International Pictures.

Film imports have been the subject of a trade dispute with the US for some time, and last year Seoul capitulated to American demands to allow direct distribution.

At a showing of *Fatal Attraction*, the first film allowed in under the agreement, a bag of snakes was set free in the cinema to frighten patrons. There have also been a series of demonstrations against the imports by people in the Korean film industry. The issue has resurfaced just as a series of trade talks start between the US and South Korea.

The issues on the agenda include aviation, drift-net fishing, beef imports, telecommunications and intellectual property rights.

South Korea avoided being listed by the US as a priority foreign country under the "Super 301" clauses of the US trade law after it had demonstrated it had made efforts to open its market and reduce the trade surplus.

But it was listed, under the terms of the law as a "Priority Foreign Country" in the area of telecommunications last year, and agreement must be reached by November 1 if retaliation is not to take place. South Korea was also placed on a "watch list" over protection of intellectual property rights. Mr Robert Mosbacher, the US Commerce Secretary and Mrs Carla Hills, the Trade Representative, are expected to visit South Korea next month, while President Roh Tae Woo will go to Washington in October. The visits may provide a sense of urgency in settling the disputes.

On the cinema front, censorship controls are now being lifted and better quality local films are winning bigger audiences, while the direct import of US films by UIP may be having a more serious effect on the network of South Korean businessmen who have controlled imports in the past than on the local film industry.

These distributors, who have representatives based in the US, generally import cheap, poor quality potboilers, featuring sex and violence.

They have been hit, however, by UIP's decision to import higher quality films, including overseas box-office hits.

Mediation in meat row

THE EUROPEAN Commission yesterday offered to mediate in a dispute between Italy and The Netherlands over an Italian ban on imports of some Dutch meat and dairy products, AP-DJ reports.

Italian health authorities say the foods may be contaminated with dioxin.

The Health Ministry has ordered Italian Customs to carry out a health check of all meat, milk and butter products imported from the Rijnmond region in the western Netherlands. It believes the products contain excessive levels of dioxin emitted by two large waste combustion furnaces near Amsterdam and Rotterdam.

The Dutch Government has condemned Italy for discriminatory trade practices.

Caribbean sore point over sugar and rum

By Canute James in Kingston

THE EFFORTS of the Dominican Republic to become a signatory to a trade and aid agreement between the European Community and several developing countries is causing more than a passing degree of concern to the Caribbean beneficiaries of the pact.

The Dominicans have intensified their efforts to be listed among the African, Caribbean and Pacific (ACP) group which is linked to the EC through the Lomé Convention. But the Caribbean states, which say they do not object to the expansion of the ACP, are worried that the new member could bring added competition for markets in Europe.

"The Caribbean states are concerned at the likely impact of Dominican membership on the existing market for bananas, sugar and rum," explained Mr Byron Blake, director of economics of the Caribbean Economic Community (Caricom).

But representatives of the Dominican Republic argue that these fears are groundless.

"The Dominican Republic is disposed towards respecting the traditional markets of the ACP states, and to be good family members of the Caribbean part of the ACP," said Mr Samuel Conde, chairman of the country's private sector committee which is supporting the present application. "I do not foresee any major difficulties."

Concern about the new member's likely impact on the benefits which ACP states are hoping to get under the fourth Lomé Convention is not limited to the Caribbean.

But the worry about the Dominicans is reflected in a comparison of the treatment of its application, against the application of Haiti. Haiti is poor and has little productive capacity to threaten existing market access.

"We have already taken a decision in favour of Haiti," said Mr Edwin Carrington, secretary-general of the ACP group. "But that does not mean that we will automatically do the same for the Dominican Republic. We are concerned about sugar, among other things, but particularly about sugar. Our position is: the Dominican Republic and the EC jointly give certain guarantees about the sugar protocol, which essentially would mean that the Dominican Republic would not be seeking to accede to the sugar protocol as it is. This is the major stumbling block for the Dominican Republic as far as we are concerned."

Caribbean officials argue that as a sugar producer, the Dominican Republic has been suffering reduced access to the US market, and would find the price offered by the EC to be "attractive".

FT LAW REPORTS

Digest of Trinity Term cases

FROM JULY 21 TO AUGUST 4

Regina v Advertising Authority Ltd ex parte The Insurance Service plc (FT, July 21)

The Advertising Standards Authority informed the applicant that it had received a complaint that statements that it had put out were not valid. Subsequently that complaint was upheld. The applicant sought judicial review of the decision as there was no provision in the Authority's memorandum or articles for any form of appeal against its decisions. In finding that the Authority's decisions were susceptible to control by the court by way of judicial review, the Divisional Court stated that the Authority clearly exercised a public law function which if it did not exist would no doubt be exercised by the Director General of Fair Trading. Moreover, in the instant case the Authority considered the complaint against the applicant on the basis of an inaccurate statement and without a fair opportunity for the applicant to put its case. On the normal principles of judicial review, therefore, the decision would be quashed.

Re Dee Corporation plc and Others (FT, July 25)

The retailers sought to have their service marks registered in relation to "retail services" that they supplied to customers. Registration was refused on the ground that the law did not provide for registration of a service mark unless it was used in relation to a business providing service for payment. In upholding that decision of the Registrar, as well as a first instance decision confirming his ruling, the Court of Appeal stated that the broad purpose of trade mark legislation was to afford a means of statutory protection for the goodwill of persons who traded in goods while the broad purpose of the new legislation was to afford statutory protection for the goodwill of persons who traded in the provision of services. However, where they were not actually trading in the services, but the services were merely ancillary to their principal trading activities, there was no reason why the legislature should have intended to give them any protection.

Compagnie Commerciale Sucres et Denrees v C Czarnikow Ltd (FT, July 26)

Under a contract for the sale of sugar, the sellers agreed to deliver "to one or more vessels presenting ready to load . . . May/June 1986." The contract incorporated the Rules of the Refined Sugar Association of which rule 14(1) provided that in an f.o.b. stored contract, "the seller shall have the sugar ready to be delivered to the buyer at any time within the contract period." The arbitrators held that the sellers were in breach of a condition when a vessel presented itself for loading and the cargo was not ready by June 3. That decision was reversed on the sellers' appeal. Dismissing the buyers' appeal against the decision that they had not been entitled to treat the contract as repudiated, the Court of Appeal, by a majority, held that in a classic f.o.b. contract without incorporation of any special rules, the court would have found that the buyers had jumped too soon. In the present case, moreover, it was not accepted that rule 14(1) added or subtracted from the parties' rights under an ordinary f.o.b. contract; the language of rule 14(1) was vague and its obligations imprecise so it could not be regarded as a condition of the contract which entitled the buyers, upon breach, to have treated the contract at an end.

Ensign Tankers (Leasing) Ltd v Stokes (FT, July 28)

The tax inspector and the commissioners refused the taxpayer's claim under section 41(1) of the Finance Act 1971 for first year allowance on its capital expenditure on the ground that it was a limited partner and was therefore not trading when it went into partnership with the general partner for the production and distribution of films. Allowing the taxpayer's appeal against their decision, Mr Justice Millett stated that where a partnership entered into a commercial transaction with a view to profit, it could fairly be regarded as carrying on a trade even if (i) it obtained the necessary finance from investors who were primarily motivated by fiscal advantages rather than commercial profit; and (ii) the transaction itself was deliberately structured to secure that fiscal advantage.

Austin Rover Group Ltd v HM Inspector of Factories (FT, August 1)

Section 4(2) of the Health and Safety at Work etc Act 1974 provided that a "person who has, to any extent, control of" non-domestic premises and who made them available to non-employees to use as a place of work had a duty "to take such measures as it is reasonable for a person in his position to take to ensure, so far as is reasonably practicable," that the premises, plant or substance, were "safe and without risks to health." Austin Rover was convicted under section 4(1) where an employee of a cleaning company was fatally injured during a cleaning operation after disobeying his employer's instructions. That conviction was quashed by the Divisional Court. Dismissing the inspector's appeal, the House of Lords held that if premises were not a reasonably foreseeable cause of danger to anyone acting in a way in which he might be reasonably expected to act in circumstances, which might reasonably be expected to occur during the work or use for which they were made available, it would not be reasonable to require the taking of further safety measures against unknown and unexpected events.

O'Regan and Others v Iambic Productions Ltd (FT August 2)

When discharging an Anton Pillar order and a Mareva injunction, granted ex parte to the plaintiff, Sir Peter Pain, sitting as a High Court judge, stated that there was an obligation – when matters affecting the propriety of an Anton Pillar order came to light before it was executed – to bring those matters to the notice of the court. It was the solicitor's duty to apprise the court of the facts so that it could make up its own mind whether to continue the order. Even though the Anton Pillar order had since been executed, it should be discharged because if the true facts had been known to the court, it would never have been made. Moreover, the authorities on Mareva injunctions made it plain that unsupported statements and expressions of fear carried very little, if any, weight and the court needed to act on objective facts from which it could infer that the defendant was likely to move assets abroad or dissipate them within the jurisdiction.

Irvani v G & H Montage GmbH (FT, August 4)

G & HM drew up 30 bills of exchange in West Germany and an Iranian company was named as drawee. A principal shareholder, Mr Irvani, signed as guarantor and the words "bon pour aval pour les tires" (good as an aval [guarantor] for the drawees) was typed by G & HM above his signature. The bills were dishonoured in London but no notice of dishonour was given (see section 48 of the Bills of Exchange Act 1882). In six cases the protest for non-payment was made outside the statutory time limit (see section 51). In upholding a first instance decision that Mr Irvani's liability was not discharged because of those defects, the Court of Appeal stated that its conclusion was reached by examining the facts that founded the cause of action under German law as the place where the contract was made and where the concept of an "aval" was recognised. The court then concluded that those were not facts to which the failure to give notice of dishonour or late protest for non-payment (contra sections 48 and 51) applied.

Aviva Golden

US workers join opposition to offer for BAT

By Lionel Barber in Washington

US TRADE unions yesterday joined the growing political opposition here to the $21bn bid by Hoylake, the launch vehicle for the hostile bid for BAT Industries, saying the takeover threatened thousands of jobs.

The unions, representing bakery, confectionary, tobacco workers as well as the Teamsters, focussed their attack on Sir James Goldsmith, the Anglo-French financier leading the consortium bid.

"Where his takeovers have been successful, Goldsmith has dismantled companies, sold off assets, closed down plants and raided pension funds," Mr John DeConcini, international president of the Bakery, Confectionary and Tobacco Workers International Union, said in Washington.

Mr DeConcini added that the leveraged bid put together by Sir James and his associates "has been explicitly structured to avoid US securities laws". More than 200 Congressmen made the same claim in an open letter to Mr James Baker, US Secretary of State, last week.

BAT Industries employs around 55,000 workers in the USA, but only 6,000 belong to unions. Despite this low representation, Mr DeConcini said he felt comfortable speaking on behalf of the labour force. He conceded, however, that the unions' campaign was not as yet linked formally to BAT management's efforts to stave off the Goldsmith bid.

Union officials claimed 90,000 union members have lost their jobs as a result of corporate mergers, takeovers and leveraged buy-outs since 1980. The officials singled out Sir James Goldsmith's unsuccessful bid for Goodyear, the tyre and rubber company, in 1986.

"The takeover left him with a huge profit but forced the debt-ridden company to lay off hundreds of workers," said Mr DeConcini.

Officials raised the prospect of Congress intervening in the next session to alter the tax code to make leveraged buy-outs less attractive.

Congress, however, was unable to reach an agreement on reform. Several proposals are expected to be re-considered next month, including efforts to limit the tax advantages of debt used to finance leveraged buy-outs.

Directors given freedom to mail shorter reports

By Richard Waters

THE GOVERNMENT is to allow company directors the freedom to decide whether or not to send their shareholders shortened. as opposed to full, financial statements each year.

The decision will be welcomed by recently-privatised companies, several of which have complained at the cost of sending full reports to their many small shareholders.

However, the issue has caused anxiety among consumer groups, which fear that private shareholders could be harmed by the reduction in information available to them.

The Department of Trade and Industry said companies will be allowed to send shortened reports to shareholders, provided they make it easy to request the full version.

The consultative documents proposes two ways of doing this. In the first, companies would enclose a reply-paid card at the same time as sending out the summary statement. Shareholders would only need to return this to receive the full version.

The second method would be for companies to send reply-paid cards to shareholders before their results are finalised.

Summary financial statements for listed public limited companies. DTI, Room 519, 10-18 Victoria Street, London.

TUC report predicts fall in union membership

By John Gapper, Labour Correspondent

THE proportion of the British workforce belonging to unions may continue falling in the 1990s, and is unlikely to be helped by the return of a Labour government, according to a report from the Trades Union Congress.

The often-pessimistic report on the future of union organisation, drawn up by the TUC's special review body, concedes that union membership may drop back to the level of the 1950s after reaching its peak in the 1970s.

Although it says people are not usually hostile to unions, it points out that between 3m and 4m people are not in a union even though their employers recognise one, and says there is no reason to think falling membership is bound to recover.

The report – to be debated at the TUC Congress in Blackpool next month – includes surveys of local labour markets which indicate that many smaller employers do not recognise unions, and have not been approached for recognition.

"Often . . . workers are unconvinced unions can achieve anything. In other cases workers are reluctant to join for fear of the reaction of their employers. And in some cases, they may not even have been asked to join," it says.

The report, which follows work last year by the special review body on a code of practice for signing single-union deals, anticipates a national campaign to promote the benefits of belonging to a trade union next year.

The report suggests the TUC tries to improve the popularity and public profile of unions by local campaigns including a sponsored musical event for young people.

It says people not covered by union recognition agreements could be offered associated membership, allowing them access to other services but not necessarily full voting rights.

Organising for the 1990s: The SRB's Second Report; TUC, Great Russell Street, London WC1; £2.50.

Alarm bells set off a nightmare for Elm St

Richard Donkin reports on the complexities of an international investigation into financial scandal

THERE WAS something that did not gel about the name of a company called Southern International Re when accountants at Deloitte Haskins and Sells were asked to look at the accounts of the Alexander Howden Group after it had been bought by the US insurance group Alexander & Alexander Services.

Deloitte's American arm, auditors for Alexander & Alexander, had been asked in January 1982 to arrange a second look at the audit being carried out by Arthur Young accountants as soon as it was completed the following March.

The problem with Southern International, a Panamanian company, was that no one in the Deloitte's team had heard of it, yet the accounts showed it had received a £5.2m premium from Sphere Drake, one of Howden's syndicates.

The assumption was that the "Re" was short for reinsurance, the business that the company was involved in. A call to Panama, however, established that the letters stood for real estate and the company had no authority to be dealing in insurance.

That discovery sparked the scandal which eventually led to an investigation by the Serious Fraud Office, set up in Elm Street, London, last year to help police with complex fraud cases. But before that inquiry Lloyd's expelled three Howden directors – Mr Kenneth Grob, then the Howden chairman, Mr Ronald Comery, his deputy, and Mr Jack Carpenter. Mr Allan Page, the other member of what came to be known as the gang of four, was too ill to proceed against.

Also expelled was Mr Mario Benbassat, the former managing director of the Banque du Rhône et de la Tamise, who appeared at Southwark Crown Court in London as a prosecution witness.

Mr Ian Posgate, the man nicknamed Goldfinger in Lloyd's because of his phenomenal success as an underwriter, was suspended. New rules adopted in 1986 prevented him from returning to the market.

Mr Grob and Mr Comery teamed up at Swann and Everett shortly after the Second World War and, after merging with Howden in 1966, they built the company into one of the most profitable brokerages in Lloyd's with pre-tax profits of £20m in 1981, though Deloitte's soon established that the profit in that year had in fact been a cleverly disguised loss.

For Alexander & Alexander, whose whirlwind courtship and marriage to Alexander Howden followed a broken engagement to Sedgwick, it was like finding the best man had run off with the dowry.

The Sedgwick merger fell through after 2¼ years of negotiations, but Howden was waiting on the rebound for a US company eager to keep up with the trend of buying into Lloyd's set by Marsh & McLennan when it had bought Bowrings two years earlier.

The completion of the Lloyd's disciplinary hearings and report in 1985 left the way open for the police to intensify their investigations.

Evidence was scattered around the globe and police officers often followed a trail beaten first by Deloitte. The Crown took a year to obtain crucial evidence in Switzerland, because every time British police wanted to see bank records they had to put their case to a Swiss magistrate.

What they found there, however, was central to the prosecution case. In 1974 Alexander Howden bought a Swiss bank, the Banque du Rhône et de la Tamise with offices just down the road in Leadenhall Street, London. Just why it wanted a Swiss bank was never clearly explained. At any rate, the Bank of England did not like it so the Howden board decided to sell.

It was never disclosed to the shareholders or names in Howden syndicates that it had been bought by none other than the "gang of four" directors, with a shareholding for Mr Posgate, described by himself in the proceedings as a golden ball and chain to keep him in the company.

The Swiss bank was a handy asset when it came to forming and managing trusts in Liechtenstein, owned by individual directors. Mr Posgate's was called Hereford.

The trusts were used by the gang of four to capitalise on a reinsurance practice, adopted elsewhere at Lloyd's, called roll-over insurance.

When a piece of insurance was taken, part of the risk would be retained and the rest would be reinsured. Howden's could and did reinsure risks with companies within the group, thereby taking another bit of commission. By the time the risk had been rolled over or "churned" a few times, several parcels of commission would have been sliced off.

Even cleverer was to place premiums into offshore reinsurance companies that did not have to pay tax. When the Inland Revenue discovered this had been going on, it came to an agreement with Lloyd's in which some of these offshore premiums came rolling back to pay a £40m tax bill.

The four, through their trusts, formed their own reinsurance companies which began taking on parcels of Howden business. The policies they issued, however, often did not amount to much and many took on no risk whatsoever. Mr Grob testified, however, that the offshore companies were set up for Howden purposes.

Mr Grob surrounded himself with the trappings of wealth. Visitors to his office were toasted with champagne-filled silver goblets.

Visitors to his villa – more of a palace – in the South of France were greeted by growling Doberman dogs behind high electric gates. It was bought from one of Mr Grob's Liechtenstein trusts for $750,000 and sold recently for an undisclosed sum.

The Howden trial acquittals are the second serious setback this month for the Serious Fraud Office. A judge earlier acquitted a former vice-president of the First National Bank of Boston on charges of conspiring to defraud the bank of about £14m.

The prosecution of Mr Peter Cameron-Webb and Mr Peter Dixon, the two Minet underwriters who allegedly syphoned off £40m from syndicates – Dixon was also a shareholder in the Banque du Rhône et de la Tamise – has also been abortive. The two fled to the US from where they cannot now be extradited.

With a string of financial scandal cases still to come to court, the nightmare on Elm Street may have only just begun.

Underwriter toasts the end of his seven-year itch

By Nick Bunker and Raymond Hughes

SEVEN YEARS of inquiries, tribunals, allegations and counter-allegations since the Howden case exploded into the public gaze have greyed Mr Ian Posgate and added many inches to his girth.

There was, all the same, a touch of the old flamboyance yesterday about the most famous marine underwriter this century as he lingered briefly at the back of Southwark's Court Number Two in south London before leaving for a celebratory drink with his barrister, Mr Richard Du Cann.

Asked whether his years out of Lloyd's and the long trial and the criminal case had affected his health, Mr Posgate, 57, said, in his unmistakably upper class tone of voice: "I've got fatter. When I was an underwriter in the market there was plenty of adrenalin to keep me slim."

Not that Mr Posgate wishes to recommence his career at a syndicate's underwriting box in the Lloyd's Room in Lime Street, London, which began in 1957, when he was a young man fresh from Trinity College, Cambridge.

He lost his last legal attempt to re-enter the market in July 1986, when Lord Wilberforce said he had shown "negligence and disregard" for the well-being of the hundreds of members of Lloyd's on whose behalf he insured ships, oil-rings and airline fleets.

Yesterday's result left Mr Posgate feeling "totally vindicated," he said, but drained.

"I felt the four days while the jury were out was a form of purgatory," he said. "This evening I shall be fast asleep for the first night in ages."

But, he said, surrounded by solicitors' articled clerks dismantling the piles of ring-binders of evidence littering the courtroom: "I have no intention of trying to go back into Lloyd's. It's a young man's game, and the place has changed since I was there."

In his day, Mr Posgate was by any standards one of the market's most successful marine underwriters.

There has always been room for disagreement about whether he deserved his nick-name of Goldfinger – the notorious James Bond villain – some of his rivals argue that his skill lay merely in under-pricing his risks to capture market share, then making his profits by exploiting the obscure but booming reinsurance markets of the 1970s and early 1980s.

What was never in doubt was his charisma, or the colour of his personal life: the herd of Hereford cattle at his Oxfordshire farm, the art gallery in Belgravia, London, the circle of acquaintances including Ireland's Prime Minister Mr Charles Haughey, the shirts from Turnbull & Asser.

His co-defendant, Mr Kenneth Grob, was equally flamboyant as chairman of Alexander Howden, when he would dispense champagne in silver goblets to visitors, in offices in Leadenhall Street known as the "Hanging Gardens of Howden" because of their extravagance.

"I feel particularly pleased for Mr Posgate, who did take this very badly," Mr Grob said yesterday. "I'm older than him. When you get to 68 you don't take things as hard as when you are younger. You get philosophical as you get older."

He had enjoyed his lifetime in the insurance market, from the age of 16 until 1982, apart from his wartime years in the RAF.

"I have nothing but tender, loving feelings for Lloyd's," Mr Grob said.

UK NEWS

Trade office abandons inquiry into De Beers

By Kenneth Gooding

THE OFFICE of Fair Trading is to take no formal action to investigate the activities in London of De Beers' Central Selling Organisation (CSO), which accounts for about 80 per cent of the world trade in rough (uncut) diamonds.

"While there are aspects of the CSO which function like a monopoly," said Sir Gordon Borrie, Director General of Fair Trading yesterday, "I have come to the conclusion that any ill-effects which might flow from the operation of that monopoly will be negligible as far as the UK is concerned.

"Since I have jurisdiction only over the state of competition within the UK, I see little point, on the basis of the information available to me at present, in pursuing this matter further."

Inquiries began in February after Consolidated Gold Fields, the diversified UK mining group, drew the OFT's attention to the diamond cartel. Gold Fields at the time was fighting off a £3.5bn hostile bid by Minorco, the offshore investment vehicle 60 per cent-owned by De Beers and its sister group, the Anglo American Corporation of South Africa.

The decision not to investigate will end speculation that De Beers might move the CSO's operations to Switzerland to escape UK monopoly laws. The CSO employs about 1,500 people in London, more than half of them sorting diamonds into about 5,000 different varieties. It also finances much of its huge stockpile of rough diamonds in London.

Last year the CSO's sales reached a record $4.17bn and in the first half of 1989 sales set a six-month record of $2.32bn.

De Beers produces only about 40 per cent of the world's diamonds but it has persuaded most other producers – including the Soviet Union – to sell their stones through the CSO. Apart from buying and marketing rough diamonds, the CSO maintains financial resources to stockpile rough diamond supplies when necessary.

Figures suggest labour costs easing

By Ralph Atkins, Economics Staff

OFFICIAL figures showing a slowdown in earnings growth and a modest fall in unemployment yesterday encouraged hopes that cost pressures from the labour market may have abated.

The Department of Employment said it had trimmed its estimate of underlying growth in average earnings to 9 per cent a year in June, down from 9¼ per cent in May. It surprised analysts, who had widely expected a rise, but did little to dispel fears of faster earnings growth later this year, fuelled by recent pay settlements.

Other figures showed a fall of 21,300 last month in the official seasonally-adjusted unemployment count – the smallest fall since April 1987. The measure has now fallen every month for three years to reach 1.79m in July, the lowest level since November 1980.

The figures came as a relief to inflation-fearing financial markets, encouraging equity prices and gilt-edged Government securities. The FT-SE 100 share index was up almost 30 points at one stage, but fell back after a smaller-than-expected rise on Wall Street. It closed 14.2 points higher.

Markets remained nervous, however, before today's inflation figures. Most analysts expect the annual rate to be unchanged at 8.3 per cent.

The department's figures brought still more evidence that the high interest rate strategy of Mr Nigel Lawson, the Chancellor of the Exchequer, is slowing economic activity. Figures earlier this week suggested that both retail sales and manufacturing output have been affected.

Mr Bill Martin, UK economist at UBS Phillips & Drew, said: "The big change in the economy is that companies are now being affected by the Lawson squeeze. Previously the pattern was lop-sided."

The Treasury cautioned against taking a single month's earnings figures in isolation but said that a sustained fall would be welcome.

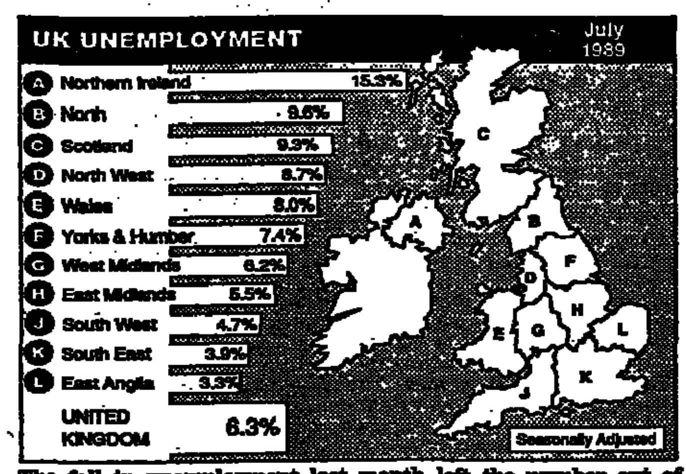
Mr Norman Fowler, Employment Secretary, however, said that the slowdown would not continue if settlements remained at recent levels.

Among analysts there was also concern yesterday about latest Bank of England weekly figures for notes in circulation. These suggested that growth in M0, the narrow measure of the money supply, may have picked up this month, pointing to a possible modest revival in consumer spending.

Government statisticians said there was no obvious reason for the lower earnings growth in June. A possible explanation is that bonus and overtime payments fell back, accommodating higher wage settlements.

The drop in seasonally-adjusted unemployment in July was well below average in the past six months and the department said it had revised its assessment of the underlying trend fall from 35,000 to about 30,000 a month. The unadjusted total rose by 23,241 in July to 1.77m.

Split by sector, the earnings figures show the fastest growth in manufacturing and production industries. Both saw an underlying growth rate of 9 per cent a year in June. In the service sector, earnings were rising by 8¾ per cent.



The fall in unemployment last month left the number out of work as a percentage of the workforce unchanged at 6.3 per cent. The steepest falls were in north England and Wales.

Capital spending rises 13.2% in last quarter

By Peter Norman, Economics Correspondent

CAPITAL spending by British manufacturing industry increased by 13.2 per cent between the first and second quarters of this year and was up by nearly 8 per cent compared with the second quarter of 1988, according to provisional seasonally-adjusted figures published yesterday.

The Central Statistical Office reported that investment by manufacturers in the latest quarter had increased to an estimated £3.14bn at constant 1985 prices, with direct investment totalling £2.78bn and spending on leased assets of £355m.

The latest figures imply a marked pick-up in investment since the first quarter of this year when it rose by about 3.7 per cent compared with both the final quarter of 1988 and the first quarter of last year.

However, it is unclear what significance should be attached to the figures.

Mr Kevin Gardiner, an economist with Warburg Securities, said provisional capital spending figures have been subject to large revisions in the past that have severely limited their value as an analytical tool.

The CSO said yesterday that it had increased the pool of companies supplying data on capital investment to about 2,500 from 1,500 to increase the reliability of figures.

Over this period spending on vehicles increased by 18 per cent, while spending on plant and machinery rose by nearly 7 per cent.

Spending on new building work fell by 3.5 per cent, however.

Football clubs fail to score in marketing

By Philip Coggan

ENGLISH and Scottish football clubs demonstrate "a total lack of customer orientation and business acumen," according to a survey by Abram, Hawkes Associates, a marketing consultancy.

Every club was sent three letters from fans asking to buy a season ticket; the responses were then analysed. Only 67 per cent of English clubs and 11 per cent of Scottish included a season ticket application form in their reply – despite being specifically asked to do so.

Not one club provided a return envelope for the customers' reply and only 8 per cent provided a fixture list. In general, the replies were described as "inept, impersonal and of poor quality."

Despite the fact that season ticket prices are more than £100, only 31 per cent of replies from English clubs offered credit card facilities and only 8 per cent offered direct debit or instalment billing.

Only six clubs took the opportunity to enclose an illustrated brochure for merchandise sales. Fifty nine replies included sent a merchandise price list, but only 22 bothered to add an order form.

The clubs also showed little enthusiasm for the current voluntary membership scheme – a compulsory scheme is set to be introduced next season. Only 18 per cent of English clubs included an application form for membership in their reply.

The survey follows a study last year in which a similar degree of incompetence was revealed.

Britons queue up to take part in the waiting game

Rachel Johnson on the nation that falls into line

QUEUE (kju:) *Chiefly British.* n. A line of people, vehicles etc, waiting for something. (Collins English Dictionary).

ONLY the British queue properly. Other countries stand in line for brief, essential periods. People in the Eastern bloc stand in line for long, essential periods – but that is not *queueing*, it is *shopping*.

Italians, when pushed, *fare la coda*, but only in the north. In the hot-tempered south, the concept hardly exists. Normal bus-stop behaviour is to crowd round the stop, and when the bus comes, to elbow your way on board.

In the US, life is worked out to keep waiting in line to a minimum. Where the British have queues, (everywhere, but especially at banks and "fast" food restaurants) the Americans have drive-ins. Because most of them have cars, they forgo the hard and bitter queue training the British go through at bus stops.

So when Americans come to the UK, they upset the orderliness of the British queue. Miss Preet Dill, one of British Airways' check-in staff for Terminals 2 and 3 at Heathrow, with long experience of serving and managing lengthy, turbulent queues of passengers, says it is all cultural.

"Other nationalities don't queue. Indians cluster round the counter. Americans won't stand in a straight line, they march up to the front and just demand to be served. The British are always orderly. It makes them very angry."

The airlines have queue "combers," who go up and down the queue checking tickets and taking baggage, and "hunters," who make sure everyone is in the right place.

Hunters are especially busy at the moment, when the number of passengers makes bedlam of airport concourses.

Mr Paul Monaghan, team leader of 14 queue-managers at Madame Tussaud's, the waxworks museum, calls the perennial queue outside the tourist attraction "the front."

"It's like a battle, you see. It's the combination of English and tourists. Everyone behaves, but we've got to have people on hand to make sure the line moves properly."

The Post Office's Mr Alan Witt says the organisation has the reputation of being a "queueing situation." To shake that off, it is spreading its single queueing system – where customers wait in a single line for many counters – to all branches. It claims that is faster and more popular than the old system, where customers had to opt for one of several counter queues.

Banks, registration offices, Harrods Food Halls, and the Passport Office in Petty France have all introduced the single queue, in the interests of getting more people served, and with luck, expediting service.

But queueing will never be expedited out of existence. It is a national characteristic.

Foreign visitors find it quaint in contrast to the rowdiness of British football fans. "An Englishman, even if he is quite alone, forms an orderly queue of one," said Mr George Mikes, the Hungarian immigrant and author of How To Be An Alien. That still holds true – one person at a cash-dispenser machine in England looks like a queue.

In spite of suggestions that the queue will not survive in the present climate – working on a basis of seniority, not merit – queue etiquette remains enforced with an unwritten code of practice.

Behavioural psychologists and ethologists have struggled to define the phenomenon. Ms Philippa Geraghty, from the Maudsley Hospital's psychology department, says: "It's about following social rules." If their theories are right, our obsession – far from dying out through discourtesy or competitiveness – is likely to intensify.

Britons live on a small, overcrowded island. In cities, where there is enforced proximity on all our public transport systems, people try to keep their tiny rings of private space sacrosanct. On crowded beaches, as in bus queues, we space ourselves apart with mathematical exactitude. Unlike sheep, which panic when they are forced into pens or made to pass through a small gate, the British deal with any sort of congestion by queueing. Even in the fast-moving, high-tech world of telecommunications, we queue. A quarter of callers to directory inquiries are held in one, because our networks are overcrowded and operators overworked.

But an element of legendary British stoicism, and obstinate refusal to make a fuss, must not be overlooked. Queueing is, after all, supposed to be the passion of an otherwise passionless race.

THE PROPERTY MARKET

Test case for shopping centres

Paul Cheeseright on the expected decision on Blue Water Park

The future of Blue Water Park, the plan for a shopping centre below ground level in an old quarry near Dartford in Kent, will be resolved within the next few weeks. It is one of the first important planning decisions which will be made by Mr Chris Patten, the new Environment Secretary.

It will be helpful in reading Mr Patten's thinking both on the Green Belt and on out-of-town shopping centre proposals. The number of such proposals has declined but there are still enough in circulation to change regional shopping patterns if they are approved and built.

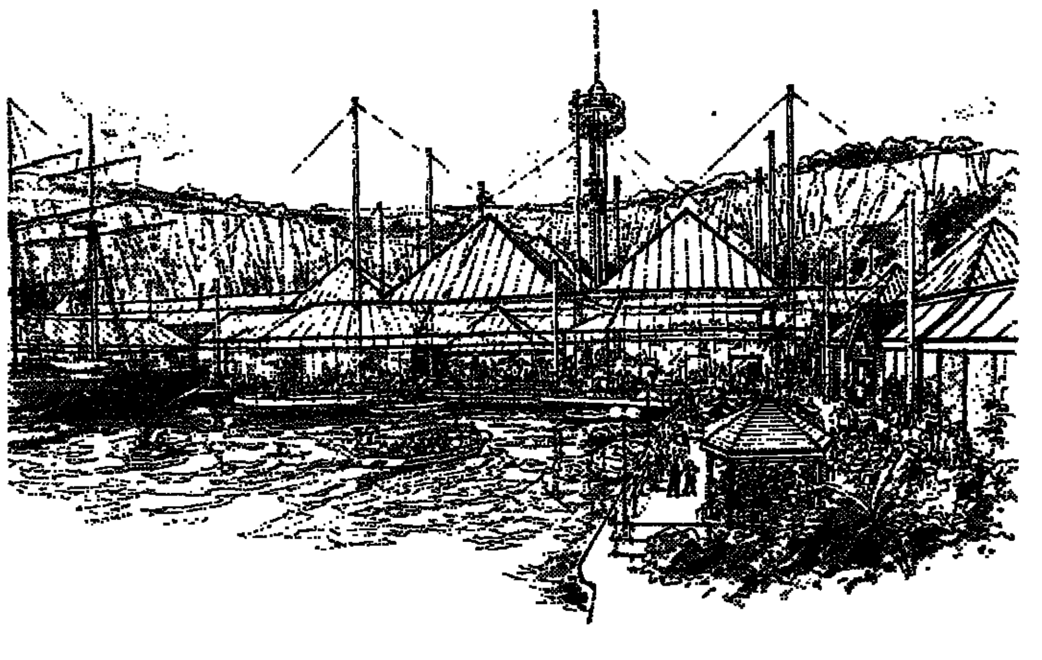
How Mr Patten will treat Blue Water Park, a scheme of Shearwater Property and Blue Circle Industries, is not obvious from the Government's previous decisions.

Three other proposals around the M25 for centres near Wraysbury, Orpington and Watford have already been turned down. So has another for a centre outside Bristol, although the matter is being reopened at an enquiry next month. One proposal has been accepted for Exeter and another for Leeds.

Sandwell Mall, the Speyhawk-Alton development near Birmingham has detailed planning permission and Richardson Developments' centre, Merry Hill, at Dudley is expanding. Other West Midlands schemes await Mr Patten's decisions. They will probably come next year — as, indeed, will decisions on proposals for Manchester.

So, apart from Merry Hill, *the only new regional shopping centres under construction* are by Capital & Counties at Thurrock, just over the Thames from Blue Water Park, and by Eddie Healey and Paul Sykes at Meadowhall near Sheffield.

Looking at the recent Government decisions on out-of-town shopping centres, Ross Davies, director of the Oxford Institute of Retail Management, said, "If there is a policy, it's really a kind of firmer hand by the Department of Environment. It seems to be using the twin factors of the Green Belt and the viability of existing town centres. They seem to be the two consistent factors involved."



On a strict reading of Government policy guidelines aimed at keeping the Green Belt intact, Blue Water Park would seem to be ruled out from the start. But it is not as simple as that.

Both the Kent County Council in its new structure plan and the Dartford Borough Council want the Blue Water land removed from the Green Belt. Both they and a collection of other local bodies support the shopping centre. To that extent, it is different from the three rejected M25 proposals.

Mr Patten's examination of the structure plan and his consideration of the shopping centre are thus inextricably linked and will be dealt with at the same time.

In other cases of planning argument about out-of-town shopping proposals, the urban local authorities have tended to be the most vocal in opposition because of their fears about the impact of competition on existing centres. But this is not the case as far as Blue Water is concerned: the shopping plan, rather, is advanced as an exercise in the economic rehabilitation of a run-down area, the same argument used to support Metro-Centre at Gateshead and Meadowhall.

Unit trusts grow more active

Future competition for the investment money of pension funds and charities in the property sector has temporarily faded with the disappearance of single property schemes such as property income certificates and single property ownership trusts.

Direct and collective investment in property is now restricted to the traditional, but changing, property unit trusts, which in the year to last March attracted £250m of new money.

This flow of funds has spurred a gentle expansion in the industry with the emergence of the Gulliver and Lilliput funds, the re-launch of Pitcon and the emergence from CIPFA of two specialised investment vehicles.

The unit trust industry is thinking about new products. Mr Peter Archer, who runs the Lazard property unit trust, thinks that new funds will tend to be closed-ended with specific investment in particular types of property.

More immediately, explained Brian Wootton, chairman of the 18-strong Association of Property Unit Trusts, there is considerable discussion about how the trusts can trade properties and retain their tax-exempt status. The Inland Revenue has laid down no specific guidelines but does not appear to object to trading provided it is kept within reasonable limits.

The desire to do more trading by some trusts is part of the wider picture of more active property management. Property unit trusts are no longer, as many of them were until 1986, passive investors.

All but the smallest will now consider undertaking their own property developments. The results of this are likely to show in the medium term. Development has not helped much over the last two years; the best returns have come from existing properties, said Mr Archer.

These returns, on the £1.5bn worth of UK property held by the trusts, are now starting to turn down in line with the performance of the general property market. The Property Unit Trust Index of UBS Phillips & Drew for the year to the end of June, when it is published shortly, will show that returns were 27.6 per cent, compared with 32.1 per cent for the year to last March and 33.1 per cent for calendar 1988.

There is some evidence that the demand for units in the trusts has slackened. This can be seen in the secondary market where UBS Phillips & Drew makes matched bargains.

Before the 1987 equity crash, there were more sellers than buyers of units, said P&D's Marc Gilbard, as pension funds sought the quickest available means of redeeming their units. That changed quickly after the crash and buyers outnumbered sellers: any units on offer were quickly snapped up.

But in March this year more sellers emerged. In April and May, Mr Gilbard went on, it was a struggle to find buyers. Now there are more sellers than buyers, although the numbers are not huge.

This suggests that pension fund confidence in property is slipping. But it is slipping when the collective investment market may widen: the final regulations for the launch of regulated property unit trusts — those in which the public can invest — are being drawn up.

Paul Cheeseright

Rental value growth (%)

	Retail	Office	Industrial	All Property
Year to Dec 88	19.9	27.9	22.2	23.9
Year to May 89	16.8	22.4	25.1	20.4
Monthly rate — May 89	2.0	1.8	2.0	1.9

Source: Investment Property Databank

INTERNATIONAL PROPERTY

COMMERCIAL PROPERTY

COMPANY NOTICES

THE "SHELL" TRANSPORT AND TRADING COMPANY, p.l.c.

Notice is hereby given that a balance of the Register will be struck on Tuesday, 5th September, 1989 for the preparation of the half-yearly dividend payable on the FIRST PREFERENCE SHARES for the six months ending 30th September, 1989. The dividend will be paid on 3rd October, 1989.

For Transferees to receive this dividend, their transfers must be lodged with the Company's Registrar, Lloyds Bank Plc, Registrar's Department, Goring-by-Sea, Worthing, Sussex, not later than 3.00 p.m. on Tuesday, 5th September, 1989.

By Order of the Board
V.A. Wadham
Company Secretary

Shell Centre
London SE1 7NA
18th August, 1989

OBITUARY

SAMPSON. Suddenly on 13th August Lennard Sydney (Sammy) of Windsor much loved husband of Sheila, stepfather of Sarah, Kate and Nicholas. Funeral Service Holy Trinity Church, Windsor 2.45 p.m. Tuesday 22nd August. Enquiries please to E. Sargent & Son, Windsor. Ph 0753 866982.

LEGAL NOTICES

INSOLVENCY ACT 1986

ROTAPRINT PLC (IN RECEIVERSHIP AND LIQUIDATION)

NOTICE IS HEREBY GIVEN; pursuant to Section 105 of the Insolvency Act 1986, that a Meeting of the Contributories of the Company will be held on Wednesday 20th September 1989 at 11 *o'clock in the forenoon* at The London Chamber of Commerce, 69 Cannon Street, London, EC4 to receive a report of the Liquidator's *acts and dealings and conduct of the Liquidation.*

DAted the 10th day of August 1989
BRIAN MILLS
LIQUIDATOR

A contributory may appoint a proxy, who need not be a member of the Company, to attend the Meeting on his behalf. Forms of Proxy are available on request from the Liquidator at 1 Wardrobe Place, Carter Lane, London EC4V 5AJ.

(The Court has ordered that this notice shall appear by advertisement only).

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS

Name of company: Parkgate Crane & Engineering Limited.
Registered No: 2228866
Trading name: Parkgate Crane & Engineering Limited
Name and address of joint administrative receivers: D J Stokes & M J Moore, Cork Gully, 1 East Parade, Sheffield S1 1ET.
Office holder numbers: 2682 and 458
Date of appointment: 9 August 1989
Name of appointer: Lloyds Bank plc.

PERSONAL

Room, Bath, Telephone
Needed by extra - nice (f) writer in ditto home or flat. Low rental, SW3 SW10.
TEL 376 7063

EDUCATIONAL

MANAGEMENT

Kent Police

Why finance has become part of 'real' work

Alan Pike examines a radical move in one UK force to shift responsibility for cash spending from central headquarters to local level

Giving police officers budgets is a notion which invites quips of the "If you want to know the bottom-line, ask a policeman" and "999 equals an overspend" variety.

But police forces, like any other part of the public sector, have to operate within financial limits and this shapes the way they plan and use their resources. Government pressure for greater efficiency in the running of the police service is growing, and Kent Police has responded to this with the introduction of a pioneering management structure which delegates financial control to local level.

The move is a true change of culture for a service like the police, where administration and finance have conventionally been highly centralised and regarded as subjects which need not trouble too much the people doing the "real" police work on the ground. A succession of high-ranking visitors from other forces is proof of widespread interest in the Kent system since its introduction two years ago, and plans are being made to adopt the pattern in other parts of the country.

Before it introduced its new system of devolved budgeting, Kent Police had a typical, centralised finance and administrative structure which had changed little through the many years of growth. The police authority invited Arthur Young, management consultants, to advise on changes to make it more efficient and a devolved system was proposed.

"The idea of a devolved system appealed to us because it fitted in with the way in which the operational and control structure of the force was being developed," says Edward Crew, now Deputy Chief Constable, who, as an assistant chief constable, was responsible for implementing the changes.

"We wanted middle-management to be more involved in risk-taking. Under the old system everything, in terms of money, was vested in the centre. You cannot genuinely devolve decision-making if the centre keeps hold of the purse-strings so we decided to give middle managers control of the budgets."

The middle managers in question are the officers in charge of the force's 17 geographical sub-divisions and 14 headquarters departments, all of which have become separate cost-centres under the devolved system.

PoMIS — a computerised Police Management Information System — was installed and all information cost-coded and allocated to the budget centres. A good deal of guesswork was involved in producing the first budgets since all existing information related to the centralised system, but when devolved budgeting went live in April 1987, the first year's expenditure came out relatively close to projections.

A video was produced for police constables on the beat; it explained that the changes affected them as well as the senior officers in charge of the budgets.

"We stressed that our concern was value for money, not cost-cutting," says Crew. "I admit that not everybody was convinced at first. There was suspicion that it was not only about cost-cutting, but about the headquarters trying to off-load the blame for cost-cutting onto other people."

These suspicions were overcome in a way which has made a crucial contribution to winning acceptability for the Kent scheme — local managers are able to retain some of the savings on their budgets. They have power to transfer up to £10,000 from one budget head to another provided they are breaking even on their overall spending. Decisions on how this money is used are made at local level.

'The idea of a devolved system. . .fitted in with the way in which the operational and control structure of the force was being developed'

Introduction of the system led to savings in expenditure across a familiar list of business costs — electricity, gas, petrol and other travelling expenses and furniture replacement. One police station reduced its annual gas bill from £16,000 to £9,000 when the introduction of local budgets made the replacement of faulty equipment a priority which could no longer be ignored.

"Most of the initial savings were spent on redecorating changing rooms and in other ways which improved amenities for police officers," says Crew. "That disappointed me at first because I had hoped the money would be spent on operational police work, but I now see it was a good thing. It generated goodwill towards the scheme, proved that it was not a cost-cutting exercise, and kept the momentum going."

Now that the scheme has been operating for two years, savings are being spent on aids to police work. An extra dog van in one sub-division, surveillance cameras for car parks in another. All the sub-divisions have invested in micro-computers as enthusiasm for keeping track of their spending has grown.

Crew believes that offering senior officers control over finance has given them a clearer basis for making decisions about their wider police work. A danger of the system might be that some budget-holders could become more concerned with saving money than making operational decisions which involve spending it, but he does not see this as a serious possibility.

"At the end of the day a senior officer will be judged on operational police work, and budget holding fits into this. If the commander in charge of policing a seaside resort on a Bank Holiday doesn't keep enough officers on the ground to prevent disturbances breaking out, it will be a poor excuse for him to say that he saved money on his budget."

Checks to prevent this problem arising have been built into the system. The force's five divisional commanders have an overseeing responsibility, ensuring that officers in charge of sub-divisions do not make unrealistic financial decisions.

Civilian managers have been appointed to help local commanders with the day-to-day complications of running their budgets, and the force has created a senior civilian post of Head of Administration and Finance at a similar pay level to an assistant chief constable.

Government policy encourages the employment of civilians in work which does not have to be undertaken by police officers, and about 25 per cent of Kent's 4,000 personnel are civilians. Their salaries are met out of the central manpower budget.

One of the attractions of the devolved budgeting system is that it takes civilian staff out of routine support jobs and gives them posts of considerable responsibility, working alongside senior police officers as part of management teams. Crew's ambition is to integrate civilian and uniformed staff into a single service with a common identity.

The force's overall annual budget is £90m, and local budget holders are typically handling budgets of £2.5m-£3m a year. Budgets are not expected to cover large exceptional items of expenditure — for example the Kent force's costs of policing last year's seamen's strike at the Channel ports — but local commanders, when drawing up their budgets, are required to cost everything that can be predicted.

The system gives senior headquarters officers a way of seeing whether a particular sub-division's expenditure is varying from the norm, and if necessary investigating and correcting this. Plans are now being made to carry devolved budgeting and the concept of local cost-centres a stage further, with the sub-divisions purchasing central services.

Sub-divisions will in future lease cars from the headquarters, paying their own petrol costs and a standard mileage-based charge for maintenance. Basic training will still be financed centrally, but the sub-divisions will purchase optional courses. These changes, it is believed, will promote better planning of scarce resources.

Crew is convinced that the system is already showing significant results, not only in a better management structure but in improved police work, by making officers think about priorities and plan ahead more carefully.

"I believe it will also be able to affect the crime figures eventually. If the police becomes more efficient and public confidence in it grows, people will be more likely to report things to us and willing to give evidence in court.

"In the end it is the service we give to our customers that counts. There are similarities between running a police force and a big retailer or any other customer-service organisation. It is just that the demands of our customers are more diverse."

Edward Crew: "At the end of the day a senior officer will be judged on operational police work, and budget holding fits into this"

Dipping into the issues of 1992

Tim Dickson reports on a system that tracks market unification developments

At the moment, says Bruce Lang, there are 900 different data bases from which the busy corporate executive can extract information about the European market place. So why has the ex-IBMer just developed another one?

One answer, says Lang, is that such sources are largely the domain of those familiar with the complex task of data retrieval — "the average manager is really used to little more than accessing Cefax for the cricket score," he observes wryly.

Another is that he believes a new product developed by his company, Lang Learning Systems, the 1992 MAP (Management Appreciation Programme) can help businessmen to grasp quickly the main business issues of the European Community's single market programme, and thus to make the most of them.

1992 MAP is an interactive computer-based system which runs on most IBM PC and compatible machines, as well as on the Apple Macintosh range. Aimed at even the technologically averse, it employs a questioning technique to build up the user's understanding and awareness of the main issues on the 1992 political, legislative and economic agenda. Each answer right or wrong prompts additional background detail for the user.

The main programme headings are: How Community law is made; the consumer; elimination of borders; business threats and opportunities; effects on company management; employment; the world of finance; transport and energy; protecting the environment; and Europe and the rest of the world. Each of these 10 issue groups is divided into four, five or six "sub issues" which in turn yield more than 250 topics in all.

Designed as a planning and learning tool, Bruce Lang stresses that it can be dipped into at any time with no formal sessions necessary or minimum or maximum time limits. Users can interrupt at any point to record their own ideas and thoughts on a "notepad", which can be printed out or recorded under the specific sub issue or topic in a so-called "personal planning profile". Other facilities include an on-line dictionary, instant access to the system's data base, and an updating service which will add in details of new proposals from the European Commission, latest moves in negotiations between member states, and final adoption of EC directives.

1992 MAP does not provide a comprehensive list of all EC decisions and legislation — details will not be found of all anti-dumping or competition cases, for example. But the objective is to present the key issues in hard fact in order to familiarise the "generalist" manager with the broad implications for him or her of the single market.

Target

Lang claims the product should appeal to all types of customer but his main target is clearly the multinationals, a market he knows both through his IBM PC experience in the 1970s and early 1980s, and through building up Lang Learning Systems' computer-based information and training programmes over the past six years.

(Volvo, Shell and Otis are among those with which the company has worked, while Price Waterhouse, British Telecom and Jefferson Smurfit have all recently placed orders for the new MAP system.)

Another key relationship is with the European Commission itself, for whose information division in 1985 Lang developed a system presenting a series of randomly selected interactive questions covering 14 subject areas (and aimed at those dropping into EC information offices).

During that exercise he came across Runchman and Markarian, the Brussels consultancy which provides the information (and the updates) for MAP 1992.

A single copy of the diskette-based system costs Ecu1200 ($1,400), with discounts available for multiple orders. Ten monthly updates cost an extra Ecu1200.

**Lang Learning Systems, Minervastraat 2, 1930 Zaventem, Brussels, Belgium. Tel (02) 720-5006.*

TECHNOLOGY

Concocting new ways to contain a poisonous genie

Peter Knight assesses methods of disposing of toxic waste which should provide an alternative to incineration

Protesters against the incineration of PCBs (polychlorinated biphenyls) and other toxic wastes are placing their hopes in the perfection of better methods of disposal.

Some are looking to a Scottish solution called the Silver Bullet, which is one of many proposed alternatives to high-temperature incineration.

The current generation of rotary kiln incinerators reach temperatures well in excess of 1,000 deg C. It is at this point that nasty chemical compounds break down into their innocuous component parts, mainly carbon and water. The ashes and flue-scrubbings, which often contain dangerous heavy metals, are buried in landfill sites.

Most developed countries license these incinerators to deal with specific organic wastes. Strict laws demand careful control and analysis of the material before it enters the kiln. Flue-scrubbing techniques have been refined so that they capture unburnt particles, such as heavy metals, and poisonous fumes from the chimney.

The incinerators are favoured by industry because they can burn solids, sludges and liquids. This means that waste can be incinerated in drums. Operators claim a 99.99 per cent efficiency under ideal conditions.

But the 0.01 per cent inefficiency, question marks over emission control, the likelihood of accidents, people's dislike of incinerators in their back yard and high operating costs have fuelled research into more acceptable alternatives. Much of the work is being done in the US, with the help of the US Government's $8.5bn Superfund for the cleaning up of contaminated sites.

Europe is also contributing, especially the beleaguered nuclear industry which is looking for new markets for its expertise.

Enter the Silver Bullet, the name given to a process under development at Dounreay, the UK Atomic Energy Authority's nuclear plant in northern Scotland.

Scientists there have adapted a technique used for recovering plutonium from radioactive waste. It involves an electro-chemical cell that contains a silver nitrate solution. Silver ions are generated by a current passed through platinum electrodes in the cell. The resulting chemical process breaks down organic material.

Researchers claim the process, known as Silver II because the ions have a charge of +2, breaks down toxic chemical compounds, such as PCBs, and works at an energy-saving maximum of 100 deg C.

Kathryn Cartwright, at Dounreay, expects a basic plant to be built within the next three years and hopes the process will be commercially viable within five years.

"We're aiming at the prestige nasty end of the market. And we're looking to increase our repertoire of chemicals to destroy," she says.

The Silver Bullet could be developed into a mobile plant which would be taken to the waste, rather than the other, more dangerous way around.

A similar catalytic approach is being developed by Cartwright's colleagues at the Winfrith Laboratories in Dorchester, south-west England. This process uses wet oxidation to break down organic waste at 100 deg C. Hydrogen peroxide, a bleach used extensively in the wood pulp industry, is employed as an agent in the presence of a metal catalyst to break down organics into carbon and water.

Development work on the process, called Winwox (Winfrith wet oxidation), is still in its early stages and, like Silver II, is a spin-off of nuclear waste treatment.

While much is expected from such chemical processes, scientists are continuing to develop high-temperature solutions. The best known is the plasma torch made by Westinghouse.

This torch delivers extremely high temperatures via an electrically charged gas. Toxics placed in its inferno break down to less harmless molecules. Early tests showed a 99.999998 per cent effectiveness, but this was on a pure stream of known chemicals. If it is to become a worthwhile alternative, the torch has to handle a cocktail of toxics.

French scientists working for the state electricity and coal companies have found a way to destroy PCBs, the chemical found in old electricity transformers which, when burnt with oxygen, produces dioxins. The high-temperature process, called Neostar, replaces oxygen with water vapour (super-heated steam) and extra hydrogen. It is also known as high-pressure steam cracking.

Once the PCB has been burnt, hydrogen, methane, ethane, non-chlorinated hydrocarbons and hydrochloric acid are left. All are free of dioxins and can be recovered. Neostar is being developed with grants from the EC.

Considerable effort is being put into perfecting efficient incinerators because high temperatures are so effective at destabilising toxic compounds.

For example, Ecova of Redland, Washington, is further developing an infra-red kiln to deal with contaminated soils. The technology was first used to destroy low-level wastes from the food processing industry. Ultrox International of California is hoping to harness ultra-violet radiation to destroy organic wastes.

David Coleman, editor of the industry journal Hazmews, says much of the technology being developed in the US is geared to dealing with soil contamination, the main problem being addressed by the Superfund. The soil is either dug up and passed through a process, such as the infra-red kiln, or it is solidified — vitrified — on site by chemical or high-energy means. The chosen method depends on what use is intended for the land.

Excavating vast areas and burning off the toxins before returning the soil is extremely costly. Vitrification involves less mechanical work and the process promises either to destroy the toxins or to lock them up in an impervious glass-like mass.

Battelle has developed a system called In-Situ Vitrification which involves placing large graphite rods into the polluted soil and then heating the ground until it sets. Producing the same effect with chemicals instead of electricity is also being worked on.

Researchers are also hoping for results from purely biological approaches. Soil contains a number of micro-organisms that naturally break down some of contaminants. Extra organisms can be added to the soil to boost this activity.

One of the main problems with this solution is nature's ability to reduce the concentration of bugs before they have completed their work. This means sites may have to be retreated.

None of these proposed methods promises the versatility of the high-temperature rotary kiln and none is at a stage where it can offer an immediate alternative to current methods of high-temperature incineration for a wide range of materials.

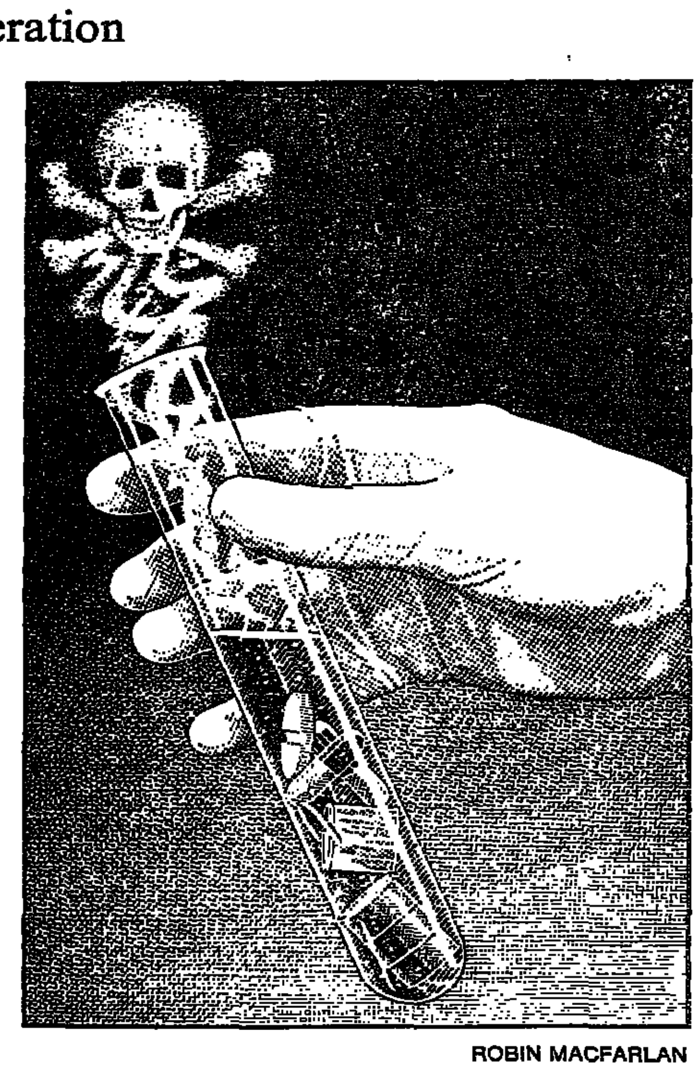
"Perhaps over the next decade some new ideas might emerge as useful alternatives. But it will be a brave man who will say what technology will become the commercial alternative," says Philip Rushbrook of the Environmental Safety Centre at the AEA's Harwell Laboratory.

But it is possible to see a trend in the research and in the way industry is dealing with waste. Researchers are looking to perfect efficient methods of eradicating specific wastes rather than a general cure-all to replace the job now done by the high-temperature rotary kiln.

Meanwhile industry is under enormous pressure from legislatures, customers, shareholders and the public to cut down on the amount of waste it produces. Its efforts will lead to a clearer understanding of the nature of its wastes, which should help in the quest for better methods of disposal.

The efforts of both industry and scientists might, in this instance, be on a mutually beneficial, if rather long-term, timetable.

But unless the world's scientists produce an unlikely miracle, protestors against current methods of incineration will not find immediate salvation.



ROBIN MACFARLAN

Darwin's theory gives birth to genetic computer programs

Theories of natural selection seem an unlikely source of inspiration for engineers trying to improve the performance of a jet engine. Yet General Electric, of the US, has achieved a one per cent saving in the fuel consumption of a gas turbine aero-engine by employing a novel method of problem-solving, based on the ideas of Charles Darwin.

GE's unusual computer program improved the design of the engine's turbine blades. If the resulting one per cent fuel saving could be achieved by all civil aircraft owners, the amount cut from costs would be $70m a year.

According to David Powell, a development engineer at GE's Engineering Systems Laboratory in Schenectady, New York, the forte of problem solving methods (known as algorithms) based on genetics is that they come up with new approaches. The software is soon to be let loose on other turbine components, electric motors and lighting equipment. Meanwhile, $250,000 is being spent on a prototype engine with the new blades.

The laws discovered by Darwin and his successors describe how living things evolve to improve their chances of survival. On a computer, genetic algorithms mimic the laws of genetics to make a design or plan evolve to achieve targets.

Taking the turbine blades as an example, a human operator types a few plausible designs into the computer to provide the "starting population". Each design is run through a simulator program to calculate fuel efficiency. Pairs are chosen at random and new designs created with elements from each "parent".

A few copying errors are introduced to mimic gene mutation and the new designs are fed back into the simulator. The process is repeated for thousands of generations, with the most successful designs standing a greater chance of being selected for "reproduction". Eventually the improvements will become indiscernible, indicating that the optimum state has been reached.

Genetic algorithms were first researched in the 1950s, but needed too much computer power. Plunging prices have solved this problem and some of these programs run happily on a personal computer.

GE's program, named Engineous, turns any computer simulator into an automatic design system. In genetic algorithms, the simulator is vital because the system needs to know which design is the most effective. In nature, this role is performed by predators, disease and harsh weather.

Much business software will perform simulation, for instance many packages will calculate the impact of capital investment on profits.

The Engineous system can also use conventional numerical problem-solving methods. An expert system is under construction that will allow it to learn which is the most promising technique at any stage of the design process.

At the University of Alabama, Tuscaloosa, genetic algorithms have been tried for various design tasks. David Goldberg, associate professor of engineering mechanics, says that the most successful was the design of a missile nose cone from layers of glass-reinforced plastic. "Genetic algorithms got an answer when traditional methods wouldn't." He points to the formation of the International Society for Genetic Algorithms as a measure of increasing interest.

In the UK, Paul Sachs, senior consultant at the Intelligent Systems Centre of PA Computers and Telecommunications, says that his company hopes to offer factory planning systems based on genetic algorithms within six months. It is co-operating with the private University of Buckingham.

The work was partly prompted by a rush of companies approaching London-based PA at the beginning of the year with process planning problems. Batch manufacturing can be difficult to control and bottlenecks need to be avoided.

The technique involves simulating an imaginary factory, similar to a medium-sized brewery, on a personal computer and then using genetic algorithms to find the best way of running it. Although there are billions of possible schedules for a day's work, it is believed that one will soon evolve as the most efficient and establish supremacy.

The concept is being taken one step further by Professor Derek Hitchins of City University, London, who has introduced predators into his programs to see how the designs cope with a competitive response. A former director of EAS-AMS, GEC's military electronic systems subsidiary, he believes that his work will help in the early design of weapons projects, such as a new fighter aircraft.

He says that fundamental details, such as weight and speed, are fixed early on, when little is known about costs and changes in technology or enemy equipment. His system, Sysmorph, uses genetic algorithms to evolve the best design, then "switches the whole thing round" to see how enemy equipment might evolve to counter the new equipment.

Predator and prey evolve many times. Existing combat simulators could be adapted to help in the design of weapons that would be effective for decades.

Gren Manuel

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
18	19	20	21	22	23	24

MUSIC

London

The Proms. This year's Proms continue until September 16. Most concerts take place at the Royal Albert Hall, though St Paul's Church, Knightsbridge, and Kensington Town Hall are also used.
Tickets for most concerts cost from £3 to £11, and can be booked on 589 8212, 589 9465 (10am-6pm) or 379 4444 (24 hours); promenade tickets are available only at the door on the day of the concert priced at £1-50 or £2.
The week's concerts include Rossini, Britten and Prokofiev's *Cinderella* (Act 2) (Sun); Beethoven and Schubert (Mon); Dukas, Honegger, Tchaikovsky (Tues); Strauss, Elgar, Nordheim, Stravinsky (Wed); Schreker, Hindemith and Schoenberg (Wed); Copland, Mozart and Elgar (Thur).

Paris

L'Orchestre des Jeunes de la CommunautéEuropéenne, conducted by Bernard Haitink. Bruckner. (Mon) Salle Pleyel.
Harpsichord Concerto. Colin Tilney: Frescobaldi, L. Couperin,Buxtehude, J.S. Bach. (Wed) Auditorium des Halles.
Baroque Ensemble from Nice conducted by Gilbert Bezzina,with Arthur Haas (harpsichord). Corelli, J.S. Bach, Locatelli (Thur) Auditorium des Halles.
Festival of Paris: all the above concerts are part of the festival. (46049601, in English 47208996).
Paris Ars Antiqua. Music of the troubadours, 15th century music at the court of Burgundy, 16th and 17th century court and village music (Mon); French medieval songs, Shakespeare and Elizabethan music (Wed); music from the time of the Crusaders, Guillaume de Machaut, the golden age of Spanish music (Thur).
The Ars Antiqua concerts take place at 7.15pm and 9.15pm in the Sainte Chapelle with its jewel-like 13th century windows, 4 Bd du Palais (43405517).

Brussels

Ghent Oratorium Vereniging. conducted by Jo Ivens. Galuppi. (Mon) (217 83 45) Cathedrale Saint-Michel.
Organ Recitals. Corette, Kellner, Bach, Haydn, Ruppe. (Tue) (8 217 83 45).
Eglise Saints Jean et Etienne. Jean-Pierre Rorive (saxophone) Johann Hermans (organ) (Sun) (4 513 83 20).
Chapelle des Brigittines. Brussels Virtuosi, Mendelssohn, Schoenberg (Mon).

Frankfurt

Frankfurter Feste 1989. This year's Frankfurt Festival with the title of A Common-Brotherhood is based on two historic events: the French Revolution in 1789 and the start of the Second World War II 50 years ago.
The programme with around 100 performances, attempts to explain the historic events and their influence on contemporary culture and society in terms of the struggle for liberty.
It starts with an international *choir festival with 10 different* ensembles from various nations, accompanied by the Moscow Radio Orchestra, jointly conducted by Wladimir Fedossejew and Gary Bertini.
There will performances of works by Mauricio Kagel, of Britten's War Requiem and Prokofiev's Alexander Nevsky. Most of the Beethoven symphonies will be played by the Concertgebouw Orchestra Amsterdam, conducted by Riccardo Chailly, the Berlin Philharmonic, Leningrad Symphony, the Saito Kinen Orchestra under Seiji Ozawa.
The North German Radio Orchestra will perform Krzysztof Penderecki's Polish Requiem, under the composer.
Other highlights indude a concert version of *Andrea Chenier starring* Renato Bruson, Franco Bonisolli, Maria Guelegina and the Budapest Radio Choirconducted by Gianluigi Gelmetti, as well as Handel's rarelyplayed *Tamerlano*.
There will be also be contemporary music by Wolfgang Rihm, Mauricio Kagel, Michael Sell and Antonio Madigan. Experiments, musical theatre, chamber music, *exhibitions* and *open-air* music round off the programme. Alte Oper: tickets Frankfurt 069/ 1340-400. Ends Oct. 3.

Vienna

Leipzig Brass Wind Ensemble conducted by Karl-Heinz Georgi. Purcell, Buxtehude, Clarke, Bach. Augustinerkirche (Fri).

Wiener Schubert Trio. Beethoven, Onslow, Schumann. Palais Schönbrunn (Sat).

Leonid Brumberg piano recital. Haydn, Chopin, Liszt (Mon). **Hungarian National Philharmonic** conducted by Adam Fischer. Haydn, Saint-Saens, Kodaly. Arkadenhof (Tues, Thur).

Wiener Mozart Orchester in historical costume, conducted by Manuel Hernandes-Silva. Mozart. Konzerthaus (Wed).

New York

Mostly Mozart Festival. Beaux Arts Trio. Mozart, Mendelssohn, Schubert (Mon). Festival Orchestra conducted by Gerard Schwarz with Midori (violin), Patricia Schuman (soprano), Susanne Mentzer (soprano) and Vinson Cole (tenor) and the Festival Chorus directed by Joseph Flummerfelt.
Mozart programme (Tue, Wed); Avery Fisher Hall (874 2424).

OPERA AND BALLET

Bayreuth

Bayreuth Festival. Wagner fans from all parts of the world will see the premiere of a *Parsifal* production by Wagner's grandson Wolfgang. Conductor James Levine leads a strongcast including William Pell in the title role, Bernd Weikl, Matthias Hoelle, Hans Sotin, Franz Mazura and Waltraud Meier. After criticism of Harry Kupfer's *Ring* cycle production, changes are expected for the revival. The main roles are once again sung by Siegfried Jerusalem/Rainer Goldberg, John Tomlinson, Peter Hofmann and Nadine Secunde. *Lohengrin*, conducted by Peter Schneider has Paul Frey in the title role, Cheryl Studer/Nadine Secunde, Ekkehard Wlaschiha, GabrieleSchnaut and Elke Wilm Schulte. *Tannhäuser* returns, after a one year break with the new Venus Ruth-Ild Engert-Ely, Cheryl Studer, Wolfgang Brendel, Hans Sotin/Manfred Schenk, William Pell and Siegfried Vogel, in Wolfgang Wagner's delightful production.

Brussels

Transparent Chamber Opera. Gluck's *Le Cinesi* and *l'Arbre Enchanté* conducted by Marcel Ketels staged by Peter Jonckheer. *Hotel Pullman Astoria* - August 18, 19, 24, 25, 26. (8 649 94 78.)

New York

New York City Opera. The week features *Anna Bolena*, last seen in 1981 with Donizetti's bel canto score conducted by Scott Bergeson with Marilyn Mims in the title role and Harry Dworchak as the King.

Chicago

Ravinia Festival. For the sixth time, popular Hubbard Street Dance Company perform at Ravinia, bringing four new numbers and old favourites, including *Line Drive*, *Georgia* and *Diary*. Highland Park (728 4642).

Tokyo

American Ballet Theatre in Baryshnikov's production of *Swan Lake*. Tokyo Bunka Kaikan (Thur) (725 8888).

EXHIBITIONS

London

The Whitechapel Gallery. Euan Uglow – a retrospective of the paintings of the nude by a *painter who is at once the most* severely objective and the most seductive of our painters of the figure. Until September 3; closed Mondays.
The Royal Academy. The 221st Summer Exhibition of the Royal Academy – the usual gigantic and enjoyable free-for-all of painting, sculpture, print and architecture with nearly 1,200 works on show. Yet, as always, it is different this year for the particular treats it offers for the visitor who has the determination to search them out among the general mass. Daily until August 20.

Paris

The Louvre. The glass pyramid, *built by I.M. Pei, the Sino-American* architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the Louvre later expanded into a renaissance royal palace only to be turned into a museum in revolutionary 1793. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.
The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.
Centre Georges Pompidou. Matisse drawings. Some 100 works retrace the painter's creative development from the post-academic beginnings to the *fauve* period and to the greatbrush-drawings of the 1940s and 1950s. The mixture of accomplished masterpieces and of rapidly dashed off sketches , adds a refreshing flavour to the exhibition. Closed Tue, ends Aug 27.
Bibliothèque Nationale. 1789 Le Patrimoine libéré. Rather than inheritence liberated, words like confiscation and plunder would describe more accurately the manner in which the 200 treasures, chosen from hundreds of thousands of documents, reached the Bibliothèque Nationale from churches and palaces during the revolutionary years. At least they were saved from the turmoil and we can thus admire the world's largest cameo representing the triumph of Germanicus sculpted in five layers of sardonyx. There is the ancient gospel from Echternach copied in the north of England or in Ireland at the end of the 8th or beginning of the 9th century and the Saint-Medard's Gospel, with all its lettering in gold, the most sumptuous work from the school of Charlemagne's court around 800AD. 52 rue de Richelieu. Ends Sept 10.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. There are family groups, majestically reclining feminine figures, the hieratic couple of the King and Queen. But most of all, the works, be they in bronze, marble or alabaster, be they of vast proportions or fitting into the palm of a hand, are a hymn to eternal motherhood. Ends Nov 19 (026-223978).

Brussels

Passage 44. Brel et les peintres - works by 20 painters inspired by Jacques Brel (Ends Sept.2) 44 Bd. du Jardin Botanique 218 26 75.
KB Gallery James Ensor Etchings: works from the Franck Collection. (Ends Sept 10) 19 Grand Place.
Halles St Gery - Avanti, Bertrand Neuman (Ends Sept 9), Place St Gery.
L'Ecuyer , 20th Century Crystal. Ends Aug 30. 187, Avenue Louise.
Musée du Costume et de la Dentelle. Women and Equality 1789 - 1889. Ends Sept 24.

Amsterdam

Amsterdam Historical Museum. A selection of 70 design drawings from the private collection of art dealer Lodewijk Houthakker. Spanning four centuries, they range from delicate architectural detail to grandiose pipe-dreams, and merely whet the appetite to see more from this fabled collection of more than 1,100 sheets. Ends 17 September.

Amsterdam

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Vienna

Museum for Applied Arts is celebrating its 125th anniversary with an exhibition focusing on the impact art has had on industrial design in Austria. This relationship blossomed at the turn of the century when a group of Viennese artists broke away from the established artistic circles and brought their skills and creativity into interior and industrial design. Ends September 4.
Secession. Never to be accused of neglecting the younger generation of Austrian and interna*tional artists, this gallery is* exhibiting the Vienna artistic scene during 1989 as well as a marvellous photographic exhibition by Astrid Klein. Until August 27.
Schloss Grafenegg, in Lower Austria. Besides a marvellous place to visit, there is a wonderful exhibiton of children's books and fairytales. Until September.
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The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of Europe. Until November 15.
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Rome

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German neo-expressionism. Until Oct 2.
Museo Napoleonico. Eighteenth-century Roman Theatre and Carnivals. Life was anything but comfortable for impresarios under the oppressive papacy of Pius VI, with ruin continually staring them in the face through forced closure by unpredictable papal censors. This absorbing exhibition covers the years 1775, when Pius Vith's long reign began, to 1799, and attempts to show how the conflicting influences of the papacy and the revolution in France affected the Roman theatre. The exhibition opens with a coloured lithograph *of the Pope's triumphal* procession, immediately after his election, alongside the edict which condemned to death the supposed author of a tasteless masque written for the occasion (the true author of which was said to be Prince Chigi). The Roman cultural scene was lively but frivolous, ballet and spectacular theatre in general being *much preferred to classical plays* or opera. Included in the exhibition are numerous etchings of stage sets and elaborate papier-maché architecture, built for carinaval masques and later burnt, portraits of contemporary composers such as Cimarosa and Paisello, and an enchanting Perseus and Andromeda by the French sculptor, Chinard. Ends Sept 30.

Turin

Russian and Soviet Art: 1870-1930. Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente an immensely effective setting, turning the ground-floor workshops of the disused Fiat factory into the equivalent of an Arab tent. The works are hung on suspended panels of *white gauze, divided into* 22 more or less chronological sections, complemented by the immense Bolshevik-red banners which flutter in the breeze in the square outside. Many of the early figurative paintings on show give evocative glimpses of life in the Russian villages and the particular quality of light and landscape, notably Vasiliev's Autumn Woods. Nesterov's pensive girls in traditional dress at the lakeside and Vinogradov's inviting summerhouses on the slopes of the Crimean hills, with their unexpectedly luxuriant gardens. Cosmopolitan and sophisticated, Russian artists could hardly have been in closer contact with contemporaries in France and Germany. Matisse was in Moscow to *install his two* paintings, Music and Dance in the house of the collector, Sergei Sukin, and two symbolist works on show by Petrov-Vodkin, Youngsters and The Thirsty Fighter contain clear echoes of these. The giant figure of the prototype of impresarios, Diaghilev, looms over the exhibition. There are two portraits, one by Serov, elegant and devilish, dated 1904, and another, with his old nurse, painted by Bakst in 1906. There are numerous original designs for the sets of the Ballets Russes: Petrushka (1911) and Pavillon d'Armide, by Benois (1907), the ballet which marked the beginning of Fokine's career as a choreographer and that of Nijinsky and Pavlova as dancers, at the Marinsky theatre. A number or remarkable portraits stand out, from Vladimir Tatlin's empty-faced Sailor to Altman's faintly expressionist portrait of the poetess Anna Achmatova (1914), with its intense blues and yellows, Serov's mournful Grand Duke Pavel Alexandrovich and Chagall's Red Jew. Chagall has a section to himself, which includes a number of charmingly domestic scenes, such as The Datcha Window, as does Kandinsky, with three fine works, including the large Composition VI from the Hermitage. Ends October 20.

Spoleto

Rocco Albornoziana and Church of S. Nicolo. 17th century painting in *Umbria. The exhibition* is the fruit of nearly 20 years research work by Professor Brunotoscano and a group of helpers, who have been through Umbrian churches and convents with a toothcomb, and the gloriously restored results can be examined close-to in two settings (of which the latter is by far the most satisfactory). The works are uneven in quality, but all are interesting, each telling a story (often with the sponsor looking pious in the lower right-hand corner), and often harking back in style to earlier artists such as Perugino. Not all are by local painters: a notable exception is fine work by the French painter, Jean l'Homme (signed and dated 1631), and some are discoveries, such as an unknown, Francesco Furini. One of the most beautiful is the Maestro di Serrone's arresting and enigmatic Workshop of *Sanginseppe where* Christ (with an almost victorian head of curls and roughly eight years old) standing between his parents forms a rough cross from wood fragments from the workbench, and binds them together with thread from his mother's sewing-box, a mysterious smile on his face, while his parents' eyes meet in anxious premonition. Ends Sept 23.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's *La grande Jatte*, and Renoir's *Madame Monet* and Son. Ends Sept 4.

New York

Whitney Museum. A special exhibit from the museum's extensive holdings of Edward Hopper highlight the realistic painter's Paris and domestic scenes among the 150 pieces in all media. Ends Nov 5.

Washington

National Gallery. The first exhibit of the *complete* set of Mary Cassatt's colour prints includes familiar images of mothers and children from the American impressionist's oeuvre. Ends Aug 27.

Tokyo

National Museum. Heijokyo Exhibition. Important archaeological finds excavated in the past 30 years in Nara, where Japan's capital and imperial palace were located in the eighth century. *Closed Mondays.*
National Museum of Modern Art. Art of the Showa Era. Paintings, sculpture, prints and photos by Japanese artists, all executed during the reign of the late Showa Emperor (1926-1989). Closed Mondays.
Teien Museum. Takeji Fujishima (1867-1943). Fujishima's work reflects the course of European Modernism but remains quintessentially Japanese in its delight in decoration for its own sake. The paintings on show include, landscape, still life and portraits. Closed Mondays.

ARTS

EDINBURGH FESTIVAL

Comedy clash on the fringe

As usual, you can hardly sit down for stand-up comics on the Edinburgh Festival fringe. The alternative cabaret circuit decamps en masse to the stern grey city at this time of year, even bringing its own specialist critics in tow. The air is thick with puff, hype, paranoia and bitchiness. No-one is as good as they were two years ago, and even if they are, we've seen it all before.

How refreshing, then, to come across Gerry Sadowitz, as I did, for the first time. Now Sadowitz has been around, and can pack a big hall with a loyal following. But to me he was new and totally astonishing. He has cut free from the torrid steaminess of the Assembly Rooms and opened his latest show, *Comedy Psycho*, in the Heriot Hall.

Still only 27, Sadowitz is a Glaswegian Polish Jew who is a more than competent chess 'fiend, a brilliant impressionist and an expert magician. Above all, he has a talent for undisguised hatred. His act is a frenzy of bile and disaffection, delivered at top speed while giving the impression of casual improvisation.

A black bowler is stuck curiously on an unruly mop of black curly hair and the list of offenders runs almost to the crack of doom: Paul Daniels, Harry Secombe, Paddy Ashdown ("Where did he come from?"), Lord Longford, Dundee ("Because it's Dundee") and, on the night I went, a pathetic, no expletives deleted, drama critic from the FT.

Oh well, worse things have happened, and they soon did. There are tasteless jokes about Hillsborough, P&O Ferries, bodily functions and feminists ("How come if they hate men so much do they want to look like them?"). Your head tells you to revolt, but your heart keeps you in your seat. There is something exhilarating and cathartic in this temperamental fireworks display, and the act is punctuated by some very fine, couldn't care less Tommy Cooper school of magic.

'Sadowitz conjures the true spirit of the licensed jester, the Lord of Misrule'

One of Sadowitz's targets is Ken Dodd, but it is Dodd whom, in my experience, he most resembles. Like Dodd (and I do not wish to tax this comparison too heavily), his control over the audience is mesmeric, and he staggers through the evening with a manic, compulsive energy. Dodd beats us into submission on his big bass drum. Sadowitz assaults the audience first by dragging a reluctant girl up on stage to be stuffed in a box (genuine corporate anxiety was dispelled only by the disappointing realisation that she was a "plant") and waving us a priapic goodbye with a monster phallus.

For all his bolshiness and theatrical disavowals, Sadowitz is a master of rhythm and timing. And like all outstanding comedians, he constructs his act with architectural finesse and a true regard for audience temperatures.

He pushes us, and himself, very hard. Some would find it all too much. But even they would have to admit the curiosity value of a comic who flays about him so crossly, the first since Alexei Sayle to storm into battle with the modern world and most of its pomps and tinpot heroes. Like Sayle, and Dodd, Sadowitz conjures the true spirit of the licensed jester, the Lord of Misrule, the original spirit of comedy, of chaos and destruction.

How far this spirit has been betrayed can be seen in this year's Oxford Revue in an unlovely sports hall in 'En Toc at Marco's. The material is the worst of any Oxford revue I have ever seen, wrapped up in a glib scenario of an end of the world situation. Whatever happened to the end of the pier situation? The move from the traditional Oxford venue, St Mary's Hall, obviously signals the end of the revue situation.

A few glimmers from last year's star, Ben Moor, a crane-like, beaky-nosed compromise between Anthony Perkins and Jonathan Miller, are no compensation for a hotch-potch whose direness is rivalled only by its technical incompetence. Perhaps Professor Stephen Sondheim will sort them out. Send off these clowns.

Michael Coveney

Gerry Sadowitz: a talent for undisguised hatred

Clyde Nouveau

CHURCH HILL THEATRE

Iain Heggie's new play *Clyde Nouveau* could be seen as the Festival's response to the pervasive advertising slogan, "There's a lot Glasgowing on in 1990." Next year's Cultural Capital of Europe is already under jeeringly healthy attack from its resident artists, and Heggie's collaboration with Glasgow's Tron Theatre attempts to raise the satirical stakes by taking Ben Jonson's *The Alchemist* as his model of small-time skulduggery in a context of big city corruption.

The result is only partly successful and is not helped by the cruel inadequacy of the cheerless Church Hill venue. Michael Boyd's production, full of jerkiness and uncertainty, sounds as if the actors are making cuts and incorporating re-writes as they go along. And Graham Johnston's warehouse design of red steel girders and grimy brick walls is intolerant of location switches, bedevilled with bad sightlines and inimical to both visibility and audibility. The evening, frankly a mess, feels like a rough draft for a film, probably a good one.

The central criminal Heggie figure is this time a newly released jail-bird, Danny Noble, determined to go straight with the help of his girlfriend Grace, the prison educational visitor. But he gets sucked into an arriviste property developer's plan to burn out a warehouse on the Clyde that will be converted into desirable apartments: "No-one will be excluded from this exclusive environment," intones Charles Kearney's smoothly repulsive millionaire, Jim Steel, at a less than climactic press launch where the old-style crooks creep off with the champagne and abstract paintings.

The jumbled story line also includes a plan to buy up the orphanage where Danny was a child. While covering up his background, the reformed arsonist wants to know why the Steel couple remain childless and refuse to become foster parents. Danny is also deceiving his old pals while a shadily ambiguous rent collector (Sean Scanlan) entices him into new criminal danger zones.

This is easily the most hastily-written text Heggie has delivered, with only a shadow of his customary vitality and rhythmic delight in street argot and rapid-fire overlaps. The cast seems incapable of hitting the good passages properly when they do occur, and scene after scene expires limply on the stage without propelling us very far forward. The idea of the heist, the scam, the deal for quick, big bucks, is clearly modelled on David Mamet's *Glengarry Glen Ross*, but Mamet's example seems for once to have entangled Heggie in an uncontrollable stage environment.

Michael Coveney

Montserrat Caballé

USHER HALL

The Spanish diva's recitals follow an established pattern. On Wednesday in the Usher Hall she made a slow, majestic entrance worthy of a Donizettian Queen on her way to the scaffold.

Majestic demeanour continued through an opening group of four well-contrasted operatic arias by Vivaldi and was maintained through the next two arias by Bellini (from his first opera, *Adelson e Salvini*) and Mercadante.

Here the phrasing was ever more ample, the lines ever longer, pauses for breath ever rarer. What can seem static music had a narrative, forward-moving quality. The prevailing colour remained dark until the last number before the interval, "Di Tanti Palpiti" from Rossini's *Tancredi*. Here smiles broke in and vocal line rippled.

The second part was all Spanish, and now one must ask why this artist, who is enterprising about music of the two bel canto period, does not expend that enterprise to the music of her compatriots. To be fair, her Granados group avoided the almost inescapable *tonadillas* (but included the "nightingale" solo from Goyescas, urgently, passionately sung).

The rest was Obradors, whose songs fall so smoothly and ingratiatingly from singers' lips into and straight out of listeners' ears; Caballé's fellow-Catalan Mompou, and Turina. The "Cradle Song" of the last-named is a charmer, but there is more than charm to this century's Spanish music.

Mompou wrote more interesting songs than the popular "Damunt de tu només". One can't have Falla's Seven Popular Songs every time, but singers unaccountably neglect his earlier Gautier settings, which would suit this artist so well.

By the time we reached the encores, smiles and indeed gales of laughter had taken over. They suffused some sparkling zarzuela numbers (between which "Io son l'umile ancella" from Adriana Lecouvreur sounded more wan than ever). Another Obradors was given, back to the audience, for the benefit of those in the choir seats.

Caballé's gifts of vocalisation and communication are so rich that one longs for a wider choice - say, for example, some of the Lorca folk song arrangements or of the Catalan tunes so different from what is normally regarded as Spanish.

Miguel Zanetti was the stylish, bright-toned accompanist. The evening was sponsored by the Friends of the Edinburgh Festival.

Ronald Crichton

BBC Philharmonic

ALBERT HALL

A Prom with Berg's *Wozzeck* Fragments and the full panoply of Mahler's Sixth Symphony ought to go off with a more resounding report than Wednesday's did. For all the efficiency of the BBC Philharmonic, and the educated attention their conductor Bernhard Klee gave to the scores, no great head of steam was built up anywhere - not even in Berg's anguish-laden Interlude, still less for Mahler's final catastrophe. Yet the temperate virtues of Klee's readings were considerable, and not unsatisfying. Newcomers to either score may have found it oddly tame, nevertheless, compared with its reputation.

As Wozzeck's Marie in the first two "fragments," Eilene Hannan was not only affecting but notably subtle. That was made easier to notice by Klee's unassertive colours for the first episode (the one with the military march and the lullaby), and the subdued solo instruments in the contrition-scene. Both scenes sounded frail amid the spaces of the Albert Hall; and the climax of the great "interlude" slightly - but unmistakeably - misfired. I suspect that Klee is puritanical about big dramatic effects.

In the first movement of Mahler's Sixth, that severity had its strengths. The progress of the music was taut, cogent and swift: a notch *too* swift for full weight (when Mahler qualified his "Allegro energico" with "ma non troppo" he surely meant a constraint on speed, not on energy), but musically more convincing than the familiar baleful grind at the outset and then a sudden surge for the Alma theme. In Klee's hands the Scherzo - no kind of joke, but a brutal stamping-dance with mock-antique inserts - went at much the same tempo, and was diminished as usual by the loss of contrasting character. Its snarls and snaps threatened no real bite.

The Andante, like the Scherzo, needed a higher profile, a sharper intensity in its poignant phrases. So too the Finale: excellently paced in purely linear terms, it never quite rose to convincing screams, nor fell into deep enough disaster. The successive hammer-blow crises were merely "effective," not cumulatively shattering, and the gross, black epilogue for trombones shrank to a solemn afterthought. It is one thing to remind us, as Klee did very well, that the Sixth is an elegant symphonic structure despite its overweening scale, but quite another to suggest that it's *only* that.

Throughout, Klee was plainly reluctant to exploit Mahler's giant orchestra and its grotesque colours, preferring to apologise for it by judicious restraint (though in fact he let the multiple horns and trombones dominate unduly, at the expense of the hard-working BBC violins). Those of us who think Mahler's monstrous band perfectly proportioned to his epically desperate intentions felt shortchanged on both counts.

David Murray

BBC Philharmonic

ALBERT HALL, RADIO 3

The BBC Philharmonic gives a pair of concerts during this week's Proms, shared between its principal conductor Edward Downes and guest conductor Bernhard Klee. Tuesday's, conducted by Downes, was a characteristic mixture of late romantic and conservative contemporary, the two areas of the repertory in which he excels.

The late romantic symphony was Sibelius's First, attacked with vigour and instinctive flair; the BBC Philharmonic has been so thoroughly schooled by Downes that arguably it produces more convincing results in such works than any other British orchestra. Here rhythms had muscularity and textures pungency; any of the excess of flesh that this symphony sometimes carries was excluded, and it emerged as lean and thoroughly purposeful as its successors in the Sibelius canon.

The work new to London was John McCabe's *Fire at Durilgai*, which the orchestra had introduced in Manchester earlier this year, a 15-minute evocation of conflagration and the desert landscape of Australia, born out of a description in Patrick White's *The Tree of Man* and a childhood memory of the composer's. It is a strange, centre-less piece, built from revolving, fugitive patterns which cover the spectrum of 20th-century musical history from Stravinsky to Britten, though the ending is fierce and emphatic. The writing is expert and involving from moment to moment, but it never gathers momentum or leaves a lasting trace.

Between McCabe and Sibelius Heinz Holliger delivered Richard Strauss's Oboe Concerto. Once upon a time that would have defined his performance, for Holliger in his early austere days responded to this most personal of all woodwind concertos with suave impersonality and apparent disdain for its expressive breadth. That has changed; now he gives the music room to breathe, relishes its lyricism and decorative figuration. Holliger's tone has seemingly gained character too. In place of finely moulded, aristocratic purity he offered a reedier, warmer sound, yet no less elegantly phrased. His Strauss has become as satisfying and definitive as all the other works he interprets.

Andrew Clements

Iphigénie en Aulide

DROTTNINGHOLM

The third and final offering at the Court Theatre, Drottningholm, this summer is Gluck's *Iphigénie en Aulide*. Arnold Ostman, artistic director of the theatre, has devised a four-part Gluck cycle which will be unfolded annually until 1992. This was a triumphant start.

Gustaf III, whose perfectly preserved court theatre remains one of the world's great monuments to the splendour and seriousness of the lyric art form, was a Gluck admirer; during his reign Stockholm became one of the centres where Gluck operas were demanded greatly, and where they were justly appreciated - J.M. Kraus (whose *Soliman III* was revived to open the 1989 Drottningholm season) was a prime force in the movement, which left its impact on the flowering of the national theatre in Sweden.

For many reasons, therefore, it was a satisfying experience to attend a Drottningholm production of this tremendous (and still gruesomely undervalued) opera. The most important reason was, of course, that the work was handled with a marvellous combination of historical understanding and "modern" fire.

It was indeed a shock, and a thrilling one at that, to encounter Göran Järvefelt's Drottningholm *Iphigénie* production the very evening after Harry Kupfer's Komische Oper *Orfeo* in the second of its London showings: the latter a rigorous, "partial," and engulfingly powerful 20th-century Gluck remoulding, the former a style-conscious (though not style-bound) Gluck revival. Neither one was more truthful to the spirit of our own age than the other. Both were impelled by a belief in the innate power of the work evident in every detail of its staging; and in both Gluck the music-dramatist was revealed anew.

In one respect, of course, Drottningholm's tiny jewel-box easily scores over the 2,000-seater Covent Garden. All the most direct-speaking qualities of 18th century opera - speed of set change, intimacy of contact between performers and audience - can be here enlisted; and since in the first of Gluck's two *Iphigénie* operas it is speed of build-up and intimacy of character confrontation that provide the dramatic energy, the performance worked up a fierce charge.

Ostman's conducting of the score, and of his excellent period band, has such dramatic directness as his goal. He is no longer the inflexible hard-and-fast-driver one recalls from previous 18th-century productions and recordings. His readiness to vary the momentum according to the fluctuations of the emotional pulse was particularly evident in the great monologues for Agamemnon and Clytemnestra, where piercing strings of instrumental colour and punctuating jagged silences were spaced and paced with masterly intelligence and authority - how sublimely telling a single oboe note or phrase, a shudder of string tremolo, becomes in these circumstances! Ostman cut too many repeats and far too much dance music: one craved the full score.

One also wanted more commanding personalities for the parent-figures - the guilt-ridden, fearfully vacillating father, the mother who agonisingly foresees her daughter's death - than the Icelandic baritone Kristinn Sigmundsson (tall, strong-voiced) and the Swedish mezzo Ulrika Tenstam (luscious-looking, vocally soft-grained) were able to muster. The decision to perform the opera in French was un-Gustavian (Gluck was sung in the vernacular during his period of rule) and unevenly carried off.

In this opera, unlike in *Iphigénie en Tauride*, the four main roles are of similar importance. In this performance the limelight fell on the "young" couple, the shining heroine and her suitor Achilles, both much more affectingly uttered. Hillevi Martinpelto managed the transition from young girl to noble heroine with admirable sureness and sang with beautifully unforced purity; the Achilles was Richard Croft, an American tenor who (like his compatriot John Aler) can be at once elegant, strong, and comfortable in the *haute-contre* vocal heights.

I look forward to hearing them again in Drottningholm's *Tauride* and *Armide* - and, indeed, to the completion of Ostman's Gluck cycle.

Max Loppert

Royal Ballet's new season

The Royal Ballet's 1989/90 season at the Royal Opera House will open on September 29.

The first production will be Natalia Makarova's production of *La Bayadère* and the season continues throughout October and November with Anthony Dowell's production of *Swan Lake*; the first performances in London of Ashley Page's third work for the Royal Ballet, *Piano*; and revivals of Ashton's *A Wedding Boauquet*, MacMillan's *Requiem* and *My Brother, My Sisters*; Balanchine's *Rubies* and Wayne Eagling's *Frankenstein, The Modern Prometheus*.

Sylvie Guillem, Jonathan Cope and Fiona Chadwick will dance the principal roles in *La Bayadère* on the opening night, and Altynai Asylmuratove of the Kirov Ballet will dance one performance of the ballet on October 4.

The Kinks

TOWN AND COUNTRY CLUB

A quarter of a century after releasing their first single, the Kinks returned to their north London roots to play a one-off concert that must have delighted their new fans but which will have dismayed anyone brought up on a diet of their quirky, individualistic pop vignettes.

A band that has lasted two and half decades will have inevitably covered much musical ground, but the transformation of the Kinks from purveyors of three-minute gems of English popular music into a sub-standard heavy rock band is particularly saddening. It is as if the Kinks want to prove that they can play as loud and fast as their two great surviving contemporaries, the Who and the Rolling Stones.

Yet their music deserves better. Songs like "Lola," "Sunny Afternoon" and "Well Respected Man" looked for a light touch, but instead succumbed to the clumsy thrashing of electric guitar and a singalong, football-terraced chorus. It is sobering to think that the Kinks' debut single in 1964, "You Really Got Me," is now widely regarded as having been the very first heavy metal song. Unfortunately, the Kinks appear to regard this as a compliment.

A good part of the set was given over to the Kinks' newer work, but the likes of "Too Much on My Mind" and "UK Jive" failed to leave any impression, save a ringing in the ears. A change of mood looked likely when Ray Davies swapped his electric for a semi-acoustic guitar, but Dave Davies' rowdy playing drowned out the subtleties of "Come Dancing," the band's most recent hit.

Matters failed to improve with another song from the new album, this one apparently about Europe and 1992. It must be the first - and hopefully last - attempt to put the unification of European markets to lyrics and music. "Do you realise what you're going to be reduced to in 1992?" sang Davies. Tears, probably.

That something was salvaged from the evening was partly due to the presence of special guest Kirsty MacColl, whose melancholic rendition of "Days" provided a short but sweet break, her lighter tones dovetailing elegantly with Ray Davies' gruffer vocals.

MacColl's departure heralded a final, frenetic trip down memory lane as Ray Davies led the band through a collection of their best-known hits. "David Watts" and "All Day and All of the Night" were both taken at breakneck speed, but they at least were suited to the thunderous delivery.

Patrick Harverson

ARTS GUIDE August 18-25

THEATRE

London

The Voysey Inheritance (Cottesloe). Dullish National Theatre production by Richard Eyre of Granville Barker's classic suddenly contemporary saga of an Edwardian family and its tangle with client's funds, moral purges and materialistic philosophy all render the Voysey clan a very familiar crowd. August 23, 24 (928 2252).

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production, Geraldine James a superb Portia (836 2294).

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 3464).

Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Clive Francis plays Guy Burgess in a rehash of Bennett's fine TV film *An Englishman Abroad* (734 1166).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomat here in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Henceforward (Vaudeville). Martin Jarvis and Joanna van Gyseghem in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Les Miserables (Auditorium). The international spectacle has settled in for a long stay by the Great Lakes (922 2110).

Washington

Gypsy (Kennedy Center Opera House). Tyne Daly takes the Ethel Merman role as the stage mother pushing her daughter into notoriety as a striptease artist in this 30th anniversary revival of the wonderful Stephen Sondheim-Jule Styne musical with songs like "Small World". Ends Sept 17 (254 3770).

Tokyo

Maly Theatre, Leningrad. One of the USSR's oldest and most innovative companies in an adaptation (in Russian) of William Golding's Lord of the Flies (Tues), in repertory with two new Soviet plays, Stars in the Morning Sky (Wed, Thurs) and the epic six-hour Brothers and Sisters. Ginza Saison Theatre (535 0555).

Les Miserables. Imperial Theatre (201 7777). Strongly-cast revival (in Japanese) of the stirring musical of the storming of the Paris barricades. The production is a recreation by Trevor Nunn and John Caird of their London original - complete with John Gunter's superb set and lighting.

Soho festival launch for national youth jazz competition

The 1989 Soho International Jazz Festival will be playing host to the launch of the *Daily Telegraph Young Jazz '90* competition. The festival runs from September 28 until October 8 and will have a strong emphasis on youth jazz.

The involvement of the *Daily Telegraph Young Jazz '90* will be one of the highlights. Last year the competition attracted an entry of over 1,000 youth bands from around the country and awarded over £25,000 prize money.

Some of the winning bands from last year will be gathering at London's Empire, Leicester Square on the fifth day of the Festival (Monday, October 2) for a day of master classes and workshops with some of Britain's leading jazz musicians. The winners of last year's competition, the Aylesbury Youth Centre Dance Band, will appear with John Dankworth at the London Palladium on Sunday October 8.

FINANCIAL TIMES

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A historic moment

IN 1945, when coalition governments were formed all over Europe from the parties which had resisted Nazi occupation, there were three "big" ministries which the Communists sought if possible to control. In the words of De Gaulle, *who was able to resist the* demands of the French Communist Party on this point, these were "the three levers which control foreign policy, namely the diplomacy which expresses it, the army which supports it, and the police which covers it." Most people would agree with him in seeing those institutions as the essential attributes of power or, in the words used by Mr Lech Walesa on Tuesday "the base *of the physical* continuity of the state."

What is striking about the present Polish context is that the film of 1945 is being run backwards. Now it *is the* Communists who are struggling to maintain "the continuity of the state" by holding on to the army and the police, while conceding virtually all other portfolios – including, it seems, the premiership – to the opposition. Like France under a later period of De Gaulle's rule, Poland is to be a parliamentary republic in matters of day-to-day politics and economics, but with a presidential *"domaine réservé" comprising* defence, public order, and the main lines of foreign policy.

Safe corridor

The connection between foreign policy and "continuity of the state" in the Polish case is plain to see. The Polish state exists in its present form not as a result of any internal Polish logic but because the Soviet Union required such a state as a safe corridor, between itself and Germany. Such military thinking is now "old thinking" according to Mr Gorbachev. How Poland is governed has become a matter for Poles to decide.

In principle. But this week Pravda – still the official organ of the Soviet Communist Party – has been heard (admittedly while Mr Gorbachev himself is on holiday) to voice its displeasure at Mr Walesa's bid to elbow the Polish comrades from power. No one quite knows in these post-Brezhnev days what physical form, if any, Moscow's displeasure might take – and Moscow may well be thought to have its hands full with other rebellious subjects nearer home. But even Poles, it seems, have learnt the wisdom of not taking too many chances at once; and so Mr Walesa remembered the importance of the physical continuity of the state.

In strict logic, if Moscow has a legitimate concern it is with Poland's foreign policy and defence – its membership of, and ability to implement, the Warsaw Pact. The Polish Ministry of the Interior should not be its concern, whereas it is very much the concern of the ordinary Poles who for 40 years have had to suffer its depredations and who voted in their millions for Solidarity in June.

Under supervision

In conceding that ministry to the Communists Mr Walesa has conceded that Poles are not yet fully masters even within the walls of their own house: they remain under supervision, albeit by a chastened and at present conciliatory watchdog. And the implication is that Moscow continues to see its security as dependent in some degree on the internal arrangements, as well as the external posture, of *its east European "allies."* In 1968 Mr Dubcek and his colleagues in Prague had given not the slightest hint of disloyalty to the Warsaw Pact: it was the very freedom they allowed to their countrymen, with the corollary that they could not guarantee to control events, which brought down Moscow's wrath upon their heads. Things have changed since then, but not completely.

Things are changing in *Warsaw and also in* Budapest, with bewildering rapidity, as they have been in Moscow. In Prague itself and in East Berlin they are changing very slowly if at all, while in Bucharest and Sofia they are still going backwards. In none of these places has an opposition movement comparable to Solidarity yet developed, nor an opposition leader yet emerged with anything like Mr Walesa's charisma. But all of them will be watching with fascination to see if Poland really acquires a non-Communist government, and if so what this means in both political and economic terms. A terrifying amount hangs on the success or failure of the Polish experiment, and western Europe, for its part, is called on to be much more than an open-mouthed spectator. If reform fails in eastern Europe, western Europe will feel the backwash with tidal waves of political refugees and economic migrants.

Of course it is true that east Europeans must find salvation through their own efforts. But many of the appalling difficulties they now face derive from obstacles placed artificially in their way in the past – not least the fact that in the late 1940s Stalin's veto denied them the chance to participate in the Marshall Plan. West Europeans who did benefit from that programme now have a chance to show the same kind of enlightened self-interest which Americans showed 40 years ago.

Old acquaintances, new friends: the Solidarity leader, Lech Walesa (centre) with Roman Malinowski of the United Peasants Party and Jerzy Jozwiak (right) of the Democratic Party

Walesa points the way forward

John Lloyd reports from Warsaw on this week's dramatic developments in the new Polish politics

Lech Walesa seems to have done it by himself. Sitting up in *Gdansk* last Monday, away from his intellectual advisers, Bronislaw Geremek, Jacek Kuron, and *Adam Michnik*, he phoned the Polish news agency. The statement he released invited the Peasants and Democratic parties to forgo their four decades of support of the Polish United Workers' Party (Communists) in favour of a Solidarity-led coalition. It was almost like tossing a stone casually into a pool, but the ripples that *spread from it are now changing* the political contours of Poland and of contemporary communism.

Already, there have been a series of transformations. Early hostility to Walesa's initiative from Roman Malinowski and Jerzy Jozwiak, the Peasants and Democrat leaders, was quickly replaced by interest as a result of pressure from their parliamentary groups.

This was an early sign of the new politics in Poland. Power has started to flow from the parties' central committees (for the Peasants and Democrats have a kind of "democratic centralism," too, in imitation of the Communists) to their members in the partially democratic *assembly*. Talks last week between the parties' senior officials were complemented by meetings between their parliamentary groups.

On Monday, another sensation. General Czeslaw Kiszczak, Prime Minister for a bare two weeks, announced his resignation because he could not persuade sufficient senior figures, Communist and otherwise, to serve under him.

On Tuesday, Walesa gave a radio interview in which he said (picking up on earlier comments by Geremek and others) that a Solidarity-led coalition should contain Communists as Ministers of Defence and the Interior, that Polish membership of the Warsaw Pact would remain inviolate and that Poland would rest within the network of "alliances" it has had since the war.

Walesa came down from Gdansk to Warsaw on Wednesday, after celebrating the ninth anniversary of the birth of Solidarity at the Three Crosses monument before the Lenin shipyard gates. At meetings of the Solidarity, Peasant and Democrat parliamentary groups, he was proposed as leader of a coalition government. Early yesterday he told Polish Radio that he would *lead the efforts to form such a government* – but added that he still did not wish to become Prime Minister himself.

This 10-day miracle occurred on the anniversary of another such, the "miracle on the Vistula" in 1920, when General Pilsudski stopped the Soviet Army before Warsaw. (The occasion, replete with symbolism, was celebrated in Warsaw on Monday.) This week's miracle has, however,

Walesa's act was like tossing a stone into a pool, but the ripples from it are changing the contours of communism

completed the fragmentation of Polish political life.

Walesa acted over the heads of most of *his colleagues*, and *without* their knowledge, showing a typically individualist decisiveness in doing so. Both the Peasants and Democrats, have followed Walesa's lead because of pressure from their representatives. This was especially true of the Peasants, who risked a split if they did not.

Even the PUWP was touched by a kind of of democracy on Wednesday. Its deputies complained bitterly in a private meeting that they had been ignored in the consultations of Gen Kiszczak on the formation of a new government, and those of President *Wojciech Jaruzelski on the new* Prime Minister.

Kiszczak had been Jaruzelski's fourth choice. Wladyslaw Baka, the PUWP's chief reformer; Alexander Kwasniewski, the Youth Minister; and Roman Malinowski, the Peasants' president, who has remained as loyal to the Communists as he can, had all *refused. The PUWP deputies had* learnt of this from the radio.

The old structures – even the embryonic new structures – have proved unequal to the pressures generated by the collapse of central authority.

So, yesterday Walesa emerged as the holder of the immediately playable political cards. He had secured the support of the majority in his own movement – though some, notably Ryszard Bugaj, the clever young deputy from Warsaw, are still strongly against participation in government; of the junior coalition parties, in spite of their leaders' initial scepticism; of the Russians, apparently satisfied with two ministries for their friends; and of the Church.

Only the PUWP appeared to be hostile still, although that may be more *noticeable in the abrasive, combative* figure of Mieczyslaw Rakowski, its new first secretary, than in most of its reformers and rank-and-file.

None of this, it is worth noting, has taken place among scenes of wild enthusiasm or amid much obvious *tension. Warsaw, the site of the man*oeuvrings, is lethargic and in places malodorous in 35 deg C. Now, as after the June elections, the passivity of the people is what strikes the foreigner most. Or rather, that their energies are so bound-up in scraping and scrounging and wheedling an adequate living in the face of rising inflation and falling supplies. Their protests are channelled so much into sporadic, though constant, industrial action directed at the protection of their purchasing power, that nothing appears to be left over with which to celebrate the coming to power of a truly popular movement.

There is perhaps another reason: a well-developed *sense of what any gov*ernment is likely to do once in power. For if Lech Walesa – or, as yesterday seemed likely, Bronislaw Geremek – is to form a government, the constraints which will hem them in are such that it is not hard to understand why activists like Bugaj jib at government. It is more difficult to under*stand why there are not more like* him.

Walesa well understands their fears. In his early morning interviews yesterday, however, he set against those fears what he has come to see as the brutally hard choice: either Solidarity accepts responsibility or power drifts into unknown and probably dangerous waters.

But it is an awful responsibility. A Solidarity-led government would depend on precisely the people Walesa and his colleagues have always identified as the greater villains than the PUWP itself – the party placemen high and low, the so-called *nomenklatura. Nomenklaturas* have been purged before; indeed, it is a feature of change in Communist states. But never by non-Communists.

And Walesa has so little experience at his disposal. The ranks of Solidarity, inside and outside parliament, are rich in academic and journalistic talent, but woefully thin in the numbers of those who have practical experience of managing, especially of managing a market economy.

Stefan Bratkowski, one of the sharpest pens in Solidarity's cause, reckons there are no more than half-a-dozen Poles in all who could lead a market-oriented department or insti*tution* – and two of them work abroad. "The regime destroyed, completely destroyed, all commercial knowledge. It does not exist. So both we and the Communists have theorists, and no practical people."

Yet a new government must instantly implement much of the programme which the previous Rakowski government said it would push through but did not. Much of that government's reforming zeal now appears to have been devoted to ensuring that senior functionaries took leading roles in the new joint stock or joint venture *companies* which the government encouraged. This was an embourgeoisement of the nomenklatura which was very widespread, very lucrative, and hugely resented. It caused protests even from Baka on the PUWP Politburo.

The government did not control the money supply – the president of the Polish National Bank, Jerzy Pakula, revealed in the Sejm (lower house of parliament) on Wednesday that he had exceeded his limit of permitted financing of the budget deficit by a factor of three – from 1 trillion zlotys to Zs 3.4 trillion (million million) – presumably on orders from above.

Nor did it prepare for the freeing of prices by ensuring that the shops would be supplied. And it did not push through extensive privatisation.

The economy is in much worse shape than it was a year ago, when Rakowski and his reformers took over with such apparent *élan*. They are broken men now, in many cases. The caretaker Finance Minister, Andrzej Wrokblewski, the baby of the Rakowski team, appeared in the Sejm yesterday and Wednesday to limply defend his budget (which was rejected). He looked drawn, puffy and worn out as he listened to a stream of criticism which sounded much the same, whether it came from the Communists or the Solidarity benches.

Even if Communists do take the Defence and Interior Ministries, their activists, and most of all the Communist-led union federation, OPZZ, will be *off* the leash. After decades of being forced to support the party, which meant also the government, of having to explain to hostile and cynical fellow-Poles that all would be well and that the party knew best, it can be imagined that they are itching to be let loose on their former tormentors, and gasping for the change to prove they can be populists, too.

OPZZ is already carving out a new role for itself as the friend of the pensioner and the low paid. There will be a lot of political mileage in that posture in the months head.

Of course, a Solidarity-led government could probably count on more Western support than has been forthcoming so far. There are many among the ranks of Solidarity's Western friends who have counselled caution in aid while Communists still command the government. But aid will have a limit, and the limit will not be much higher than at present. Besides, says Professor Jan Mujzel, a Solidarity economic adviser: "We should not count on Western aid. Reconstruction *must be* done by Poles, anything else would be dangerous to our future."

Yet Walesa's logic is hard to deny. Choosing between a rock and a hard place is a familiar Polish experience, and Walesa has made the choice, it seems, for the hard place. And if it

The constraints which will hem the government in are such that it is not hard to understand why Solidarity activists jib *at the prospect*

will be hard, it also contains extraordinary promise. To see a Solidarity figure represent Poland on the international stage; to hear what he has to say to the West on the future of Europe, on relations between East and West and on the arms race; to see whether his and his colleagues' unique experience will mean a unique style of government; to watch if the people of Poland will respond to a government different in fundamental philosophy from any they have known since the war, and arguably ever – these are prospects which now, this week, seem to be here.

The US glass is half full

IT IS HARD to believe now that it is only just over two weeks since Mr Alan Greenspan, the chairman of the Federal Reserve, was telling the *Senate Banking Committee* that the Fed considered the risk of a US recession greater than the risk of higher inflation. There has been a run of more encouraging economic figures, culminating in yesterday's merchandise trade balance, which re-establishes a firmly improving trend. Only the bond market, which had been discounting a shallow recession, has been disturbed by these apparent new trends.

A number of prestigious forecasters have concluded that a "soft landing" is now definitely in view, and the markets are assuming that when *the Federal Open Market Com*mittee (FOMC) meets next week, it will congratulate itself on excellent timing, and decide to do nothing. Not even the news that the Congressional Budget Office has detected a new budget crisis is likely to cause much disquiet; long familiarity with the twin deficits is breeding indifference.

Complacency banquet

The *fact* is *that* while the FOMC would be wise to adopt a wait-and-see attitude, it will probably not join in the general banquet of complacency. The Fed takes its own economic soundings through the regional Federal Reserve banks, and their assessment, already published in the "beige book," is distinctly down-beat.

They find growth sluggish and patchy, with output *shrinking* in *some* industries. New England retailers are struggling with excessive inventories, and there are weaker prospects in exports and investment. This assessment appeared before the most recent figures suggesting stronger demand and output, but the information is, in fact, more up to date; the regional economists were talking to businessmen right up to the *end of* July. *The most recent* surveys of purchasing managers and plant managers also speak of slowing growth. The FOMC is likely to place more reliance on its own intelligence reports than on the official statistics; Mr Greenspan is a veteran figure-watcher, and knows how unreliable official figures can be.

Revised figures

Indeed, much of the current euphoria is based not so much on the latest figures as on revisions which show that the first published estimates for demand, output and employment in May and June were too pessimistic. The current facts are that car sales have *revived strongly; this owes* a great deal to price-cutting at the moment, and well-informed fears of price increases in the near future. Motorists are, among other things, keen to buy cars which are not fitted with the expensive new safety features which federal regulators have demanded, but which motorists consider poor value for money.

The housing market remains deeply depressed, though possibly off the bottom; the labour market is tightening mainly because there are fewer new entrants to the labour force. The unambiguous good news concerns inflation; prices of industrial inputs have risen only very slowly since the beginning *of the year, food* prices should before long be reflecting a return to more normal growing conditions, and wages have been subdued. This would be wonderful news in London; in the US it justifies simply quiet satisfaction.

OBSERVER

Inn fighting in the City

■ The battle over the George and Vulture, one of the City of London's most characterful eating places, has become so long and lingering that many people must have thought its problems had even gone away.

Alas, they have not; there is only a summer lull.

A bit of history. The George and Vulture fulfils everyone's *image of a Dickensian chop* house, and occupies a site to match in the back alleys behind Cornhill, full of creaking floors and hidden corners. It used to be owned by Williams and Glyn's bank, who sold it to the Church Commissioners, who sold it to Samuel Smith, the privately owned brewery based in Tadcaster in Yorkshire.

In recent years the place has actually been managed on a *renewable* lease by Trusthouse Forte. But now Samuel Smith want to shut down the restaurant and transform the premises into a pub. This created a row of blazing proportions not just among conservationists but also among members of the Lloyd's insurance market up the road who patronise it lavishly.

The resistance enjoyed an early triumph when Smith's planning application was turned down, largely because of the opposition of English Heritage, who have a say in the whole matter because the George and Vulture is a grade 2 listed building. They thought the proposed changes were too drastic.

But Smiths is now intending to lodge an appeal. THF is also stirring things up by threatening to go to court to protect its rights as tenant. Thus, the *expectation is that tensions* will rise to a new climax this autumn.

Fortunately, none of this seems to have spoilt the atmosphere of the place, where lunchers still enjoy their traditional English fare: bubble and squeak, steak and kidney pie and baked jam roll.

It is ironic, however, that Samuel Smith should have *been cast as the villains of this* piece. Not only are they one of the oldest privately owned breweries in the country (it was founded in 1758 and the Smith family has been in command since 1847). They also preserve many of the more ancient practices of their trade, such as brewing in square, slat-lined vats. Furthermore, they employ their own cooper, and claim to be one of the few breweries left still making *their own* barrels.

Smiths have made a point of acquiring and managing historic pubs. In recent years they bought Ye Olde Cheshire *Cheese off Fleet Street* (though their plans there have also caused a rumpus), and the Cramond Inn in Edinburgh. The company was rather tight-lipped yesterday about all the fuss it is has stirred up, but Mr Graham Auton, the advertising and export manager assured me: "We're very keen on conservation."

More please

■ I have been reading Utopia by Thomas More and was little short of amazed to come across the following passage:

"I don't believe you'd ever have a reasonable standard of living under a communist system. There'd always be shortages, because nobody would work hard enough. In the absence of a profit motive, everyone would become lazy and rely on everyone else to do the work for him.

"Then when things got really short, the inevitable result would be a series of murders and riots, since nobody would have any legal method of protecting the products of his own labour – especially as there wouldn't be any respect for authority, or I don't see how there could be in a classless society."

More wrote that 473 years ago. It all seems so obvious now.

You're in luck – the US navy have just cancelled their order.

Peace seekers

■ The only political leaders who are not taking a summer *holiday this year are Poland's.*

Elsewhere, virtually all of them have slipped off for some peace, including, surprisingly, Mikhail Gorbachev who might have had reason to stay on hand with all the trouble on his doorstep. He has gone down to the Kremlin's traditional retreat on the Black Sea, though this did not prevent him signing Wednesday's Supreme Soviet decree outlawing Estonia's electoral law.

For western leaders, Austria is a popular destination. Aside from Margaret Thatcher, who is enjoying the Salzburg festival, it has attracted over half of the West German cabinet. Helmut Kohl is holidaying at St Gilgen on the Wolfgangsee near Salzburg for the 20th year in a row.

The West German opposition tends to favour the Iberian peninsula. Oskar Lafontaine, current favourite to run against Kohl for the Social Democrats next year, is just back from Portugal.

Elsewhere, George Bush is at his summer home at Kennebunkport on the coast of Maine, Mitterrand likewise at Latche in south-west France.

Michel Rocard seems to have arranged *his plans best. Fol*lowing a sailing holiday around Sardinia, he is spending the second half of August on a business trip to the South Pacific and Australia.

Back again

■ Anyone with a medium-long memory and a taste for City intrigue might relish this minor aspect of the Hoylake bid *for BAT Industries.*

1. Jacob Rothschild is one of the principal backers of the Hoylake consortium.

2. BAT owns Eagle Star insurance.

3. Eagle Star owns 15 per cent of Rothschilds Continuation Holdings, the Swiss parent of the N.M. Rothschild *& Sons* merchant bank which is headed by Jacob's cousin, Sir Evelyn de Rothschild.

4. If Hoylake's bid succeeds, it will own a stake in the Rothschild banking empire.

5. Relations between Jacob and Sir Evelyn have been cool *Since the great Rothschild fam*ily bust-up more than ten years ago.

Smashing

■ Seen on a side of a glazing van in Southwark: "Every *pane is a pleasure.*"

David Lascelles

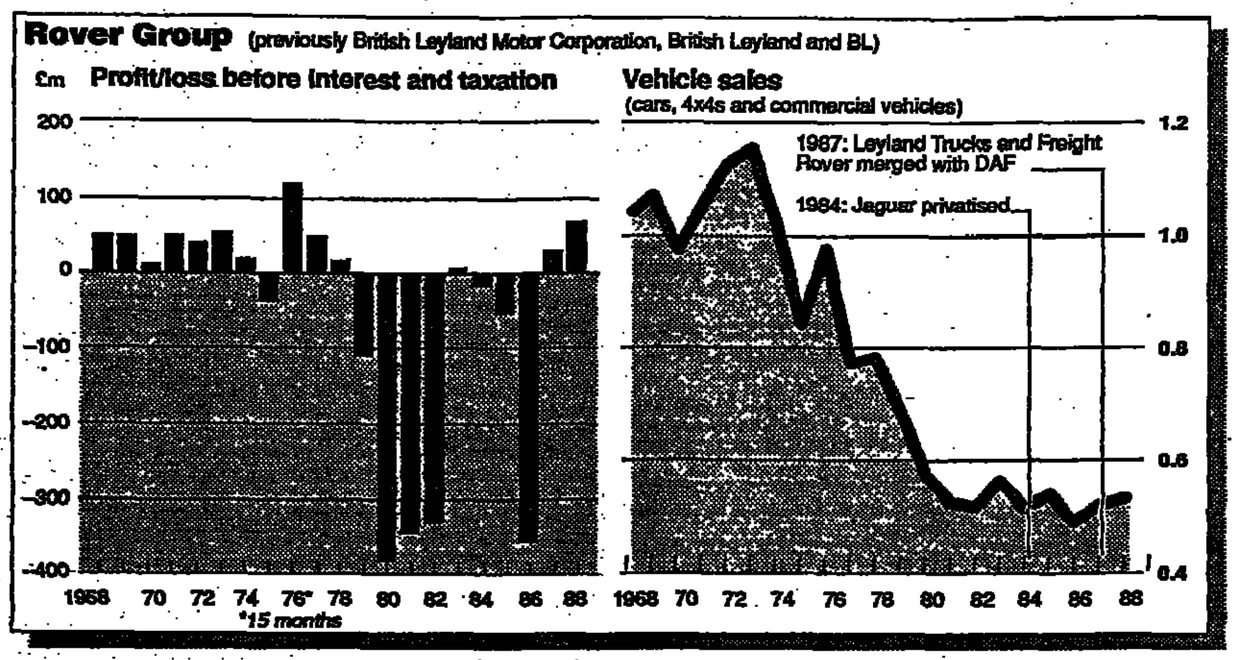
Kevin Done reports on Rover's attempt to take itself up-market

New cars, new corporate image

Rover Group, still the UK's largest car maker despite the ravages of the last two decades, is preparing to take the offensive again with an array of new products which will largely determine its fortunes in the European market in the early 1990s.

In the coming weeks, Rover is planning to unveil:

- A medium car range, to be called the Rover 200/400, the product of a joint development programme with Honda of Japan, to replace the existing Rover 200 and Maestro ranges;
- A four-wheel drive leisure utility vehicle, named the Land Rover Discovery, the first all-new product developed by Land Rover for 19 years, aimed squarely at Japanese competitors;
- A small and medium-sized family of aluminium engines, the K-Series, the first all-new engine launched by the group for 11 years. Together with a Peugeot-designed gearbox uprated by Rover, it will form the mechanical core of the new Rover 200/400 medium car range.



In spring next year, Rover is due to unveil a much revamped version of its Metro small car range, along with further derivatives of the Rover 200/400 medium car range including a sporty coupe.

The company is also presenting a new corporate identity. In September, consigning the Austin name to the history books, the Austin Rover car division will be renamed Rover Cars.

Over the last 12 months, some of the most intractable problems confronting the battered company have been resolved. Acquired from the government by British Aerospace, Rover has been returned to the private sector shorn of its historical debt burden.

It has apparently succeeded in cementing its deepening 10-year relationship with Honda of Japan with the announcement a month ago of Honda's plans to take a 20 per cent equity stake in Rover's car and Land Rover operations. The move would appear to underwrite Rover's future model development programme.

It has invested close to £600m in developing the new products and in building the highly-automated manufacturing facilities to produce them.

In addition to sharing development costs, Rover has drawn heavily on Honda's support in learning what Rover Group managing director George Simpson calls "the management technology" of introducing new products.

"This is something which traditionally we have not been too good at," he says.

Its new models come not a moment too soon. Freed of its debt by the Government before the sale to British Aerospace, Rover is now in the black, with a £65.7m profit before interest and taxation in 1988. This is a 233 per cent improvement on the £19.7m achieved in 1987, but still a tiny return on a turnover of £3.2bn.

More important, perhaps, Rover has failed until now to match the new product innovations of its bigger rivals. Its share of the UK and the overall west European car market has been dwindling. It is more dependent on its domestic market than any other volume car maker in Europe.

In the first half of 1989, 76 per cent of its European sales came from the UK. Fiat – its closest rival in domestic dependence – derived 69.5 per cent of its European sales from Italy. But Fiat controls close to 60 per cent of the Italian market. Rover's share of the UK market fell to just below 14 per cent in the first half of 1989. A success for the Rover 200/400 – which will eventually appear in hatchback, saloon and coupe versions – would be a vital step in halting this decline. It is aimed at strengthening Rover's presence in the fiercely competitive small family car market now dominated across Europe by Volkswagen's Golf/Jetta, the Ford Escort/Orion, General Motor's Vauxhall Astra/Opel Kadett, and in southern Europe by Fiat's Tipo.

The present Rover management, led by Sir Graham Day since 1986, has been adamant that the company is not motivated by chasing market share for its own sake, but is interested only in profit. Here too, the new Rover 200/400 range has an important role to play. It will be the first real test of whether Sir Graham is succeeding in his strategy of taking Rover increasingly into more up-market niches in each of the segments in which it is competing.

In an address to financial analysts last year, Sir Graham said: "We're looking to have a determined, product-led repositioning in the marketplace, a bit away from head-on competition with those companies that mass-produce cars.

"We are looking to promote distinctive products. We are looking for product differentiation, particularly as the market increasingly segments. We are trying to set ourselves apart from mainstream competition. We are not interested in market share *per se* as the be all and end all. You can have loss-making prosperity, as this company has demonstrated consistently in the past."

Despite the intended move up-market, Sir Graham insists that Rover Group has no intention of leaving any of the sectors in which it currently competes, including the executive and specialist four-wheel drive sectors.

Nor does it retain any ambition to be a mass producer. "We're probably a medium-volume producer," says Sir Graham. "We're smaller than Daimler-Benz, we're about the size of BMW, maybe about the size of Volvo, much bigger than Saab, but we're not a Ford, a Fiat, a PSA (Peugeot/Citroen), or a Volkswagen."

"We now produce, and are likely to continue to produce, within our reasonable production planning forecasts, about half a million units, plus or minus 10 per cent. That is the level at which I believe we can . . . sustain and renew our business and indeed contribute to our shareholder."

There is still some slimming to be done. Rover is due to close its Cowley South assembly plant in Oxford in the early 1990s. Sir Graham maintains that even with the removal of this theoretical capacity of around 150,000 units a year, the group would still have "plenty of headroom." He said the potential production capacity at Longbridge and Cowley North would still be about 600,000 units a year with 100,000 units capacity at Land Rover's Solihull plant.

The new Rover product launches will ensure that it enters the August selling month next year with a varied and modernised range of models. Registration number prefixes change in August and more than a fifth of all new car sales in the UK each year are made then.

The Rover 200/400 range is the product of a collaborative development project with Honda. The Honda version, the Concerto, was launched in Japan last year. In Europe, the Concerto will be produced by Rover and add a welcome 30-40,000 units of extra production volume to the Longbridge assembly line.

Rover's last important car launch, the 800 series executive car introduced in 1986, was also a collaborative effort with Honda. The Japanese maker produced the Honda Legend as its version.

Now Rover's model programme has become crucially dependent on Honda. Much of the manufacturing technology and equipment for the so-called "body-in-white" assembly stage, the welding together of the body panels, has been bought directly from Honda.

Mr Simpson insists that Rover maintains the capability of designing and developing a new car range alone, but given its now much closer relationship with Honda, it remains to be seen how that professed independence will be used.

The group's other major product innovation, the four-wheel drive Land Rover Discovery due to be unveiled at the Frankfurt motor show in September, is an independent Rover project, however.

It has been a long wait. The Discovery will be the first all-new Land Rover vehicle since the launch of the Range Rover in 1970, but it underlines the fact that Land Rover is still the leading European specialist in four-wheel drive leisure/utility vehicles, and that in the shape of the Range Rover, it still has a world-beater.

The Discovery is now bravely aimed head-on at models such as the Mitsubishi Shogun and the Isuzu Trooper in the middle segment of the four-wheel drive leisure/utility market, which has hitherto been dominated by Japanese vehicle makers.

As if to demonstrate that the company is firmly on the offensive, Land Rover has also decided to take the battle into the enemy's backyard and is planning to launch the Range Rover in Japan before the end of the year.

The Range Rover has already proved an outstanding success in the US market since its launch in 1987. This is in contrast to the Sterling, Rover's top-of-the-range Rover 800, sales of which have plummetted in the last 18 months. Mr Simpson insists that Rover remains committed to the US car market.

To many motor industry analysts, the announcement that Honda was taking an equity stake in Rover was the final confirmation that the last remaining mainstream UK car maker was falling into foreign hands.

Mr Simpson is more optimistic. "We have not gone into this from a distress position," he insists, "it is a strong development. History may prove me wrong. Either it is a further step on the slippery slope, or it is a positive step forward. Maybe the momentum of the slide has now been stopped, and financially the group has certainly been stabilised.

"Most importantly at this stage our management independence is maintained, and we keep an entirely separate market identity."

A sad inability to parlez vous

By David Thomas

BRITISH holidaymakers on the Continent this summer, struggling with their rusty French and non-existent Spanish or Italian, retreat into an embarrassed form of nationalistic mysticism to explain their linguistic incompetence.

"Sorry, old chap, I never was any good at languages. We're all the same. It's part of the British character, you know. I suppose it's something to do with English becoming the world language."

The mystical inability of the inhabitants of the British Isles to parler other people's lingo is one of the easier modern myths to debunk. There is nothing mysterious about why the British speak languages so badly. Consider the A level results sent out this week.

One of the most depressing features was known long before the examiners sifted through the exam scripts: the paucity of candidates in some of the world's principal languages. In a typical year, the entire English state school system labours to produce just over 1,000 candidates for A level Spanish and fewer than 200 for A level Russian or Italian.

These dismal figures are the tip of a linguistic iceberg. One half of all children in English schools abandon languages at 14, having taken up the struggle only three years earlier. The majority of those who persevere with a language till 16 have to study French: German is the only other language which registers as more than a blip on school timetables.

So dismay at the lack of linguistic skills among the British is akin to surprise that they are not too hot at baseball. They are not taught: what do you expect?

Help is at hand, it appears, in the guise of the new national curriculum, which for the first time requires all 11-16-year-olds in England and Wales to study a foreign language. Mrs Angela Rumbold, the Education Minister, made much play with this when announcing the details this week.

It will encourage more lessons in languages largely neglected by British schools such as Spanish and Russian. It will turn out a young workforce with the linguistic skills needed by British business in the run-up to 1992. All this, and more, the minister claimed.

Much of this really is mystical nonsense, as a reading of the small print of the national curriculum demonstrates. There is nothing in the curriculum to encourage the spread of languages such as Spanish or Russian in schools. Its sole requirement is that all secondary schools in England and Wales must teach a European Community language to 11-16-year-olds. This can be met by teaching nothing but French.

Stipulating that every 11-16-year-old must study a foreign language is a welcome advance. But what did the Government actually announce this week?

All 11-13-year-olds in English state schools must study a foreign language from this autumn. Big deal: 96 per cent do so already. The Government refrained from naming a date for the order to extend to 14-16-year-olds, when the drop-off in language learning occurs.

Worse, alarming details emerged of how ministers envisage the curriculum when it is eventually introduced for 14-16-year-olds. Those pupils preparing for a GCSE exam will devote four periods out of a 40-period week to languages. The rest (a majority of the school population) will make do with two to three periods.

Will this sharpen up Britain's competitive edge post-1992? Pas on votre life.

Underlying the Government's caution is the matter of teacher shortages. Many secondary schools in the south-east already struggle to attract language teachers, yet the Government has set its face against a special bursary for trainee language teachers, similar to that for science teachers. A programme to brush up the language skills of the existing teaching force, which Mrs Rumbold believes are largely unused, would be a first step in a concerted drive to improve Britain's meagre resource of language teachers.

And why is the Government not pushing for language teaching in primary schools? Most children take to languages like swimming: the earlier, the better.

LETTERS

'The Japanese are very different'

From Professor Jonathan Brown.

Sir, Could I add a small comment to Sir Charles Villiers's perceptive letter (August 17)?

In the 1970s a Japanese study compared the top three business objectives of the US Fortune 500 companies with those of the largest 273 companies in Japan. All the American objectives related in some way to profit and its growth.

The Japanese were very different. Their first objective was – as expected – market share, the second a measure of profit. The third was rather a surprise: a measure of the proportion of sales coming from new products.

Such a measure must present difficulties (when does a facelift become a new product, how old is "new," and so on) and the inter-relationship between objectives and actions is often complex. However, perhaps the widespread use of such a measure is one reason why Japanese companies tend to introduce new products before the time when a profit-conscious western company would consider it necessary to replace the existing products.

Managing a business is all about reconciling conflicting objectives. The important thing is not so much whether or not the company is profit-driven – most companies that survive any length of time must be profit-driven – but what actions the company believes produce most profit, long term.

Simply having profit-related objectives does not communicate throughout an organisation how the (presumably) experienced managers running it believe a profit is generated. The Japanese objectives seem to me to constitute a fuller view of the world – and a much better guide to an organisation as to how it is expected to behave.

Jonathan Brown,
Applesiade House,
Blackbush Road,
Milford-on-Sea, Hampshire

Potential in textiles

From Mrs Jessica von Boeventer.

Sir, Costs of the MFA (multi-fibre agreement, Letters, August 9) are borne not only by consumers – most especially poor consumers – in the UK, but also by the producers in the exporting countries.

The textile industry historically has been one of the most important vehicles of industrial development. If the UK and other countries were to be more fair and generous in allowing market access, textiles could provide the same function for today's developing countries.

Surely after six years of economic growth we cannot continue to justify trade restrictions.

J. von Boeventer,
Frenchgrass House,
9 St Margaret's Villas,
Bradford-on-Avon, Wiltshire

Merger deal-makers should look before they leap

From Mr Louis C. Kleber.

Sir, Decision-makers behind cross-border mergers and acquisitions in Europe should look beyond Europe before an offer is made – above all before an agreement is signed.

Many of these European companies have US subsidiaries, and those subsidiaries may have enormous financial commitments to providing health care for retirees and their spouses. This issue is a front-rank US corporate concern for the 1990s, reflecting concern in nearly all the developed countries about their ageing populations.

There is a special financial problem in the US. The Financial Accounting Standards Board has proposed new standards for accounting for post-retirement benefits other than pensions. It would require employers to reflect liabilities for those benefits as balance sheet entries in the financial statements. Some experts say the new standard would reduce the Fortune 500 companies' net income by between 30 per cent and 60 per cent.

This letter seeks to alert management to an area to be examined with great care before an acquisition or merger agreement is finalised.

Louis C Kleber,
Advance Benefits Systems Corporation,
468 Pennsfield Place,
Thousand Oaks,
California 91360-5570, USA

Equality begins at home

From Ms Christine Holroyd.

Sir, David Waller concludes his article, "Pitfalls on the way to the third generation" (August 8), with the observation: "It is even harder to behave rationally when those one works with are not simply colleagues, but brothers, fathers and sons."

Given that one of the points made was: "It is wise to be outward looking and willing to change," surely the sentence should have read: ". . . not simply colleagues, but siblings, parents and offspring"?

Christine Holroyd,
16 Brewery Lane,
Stansted Mountfitchet,
Essex

Dividend policy and BAT

From Mr M.G. Day.

Sir, Mr O'Shea's letter (August 11) contained a thought-provoking, persuasive argument. But that argument is flawed, and thus obscures the real point about the BAT "valuation gap."

He begins with the standard concept that equity investors discount dividends by market interest rates in order to arrive at the "present value" of an equity. He goes on to explain that high interest rates make current dividends more valuable in relation to future dividends than would be the case with lower interest rates.

He then takes a wrong turning. He compares the "asset values" of equities and bonds and proceeds to assert (wrongly) that increasing your dividend "raises your share price." Whereas for a bond the cash flows are certain as to amounts and timing, for an equity, amounts and timing are uncertain. Because the equity investor, unlike the bond investor, has a claim on the company without a defined upper limit, there will be circumstances when he will be quite content to "leave" money in the company (retentions are in no sense "losses" based on first principles).

Dividend generosity alone does not lead to higher share price. Heavy distribution may restrain management folly, but it can deprive a company of the capital to fund balanced organic growth in earnings.

The real question is: what has BAT done with the money it has retained? Analysts should be able to catalogue the funds available to BAT since 1982, and their deployment, and to determine the contribution which these investments have made and should make to BAT's future earnings and dividends.

Finally, why is BAT "at a discount"? For a start, there is tax (for example, Reed had to pay capital gains tax of 10 per cent on its 1988 disposals) and the cost/risk of managing the asset sales (presumably why Consolidated Gold Fields is selling to Hanson). Then there is the tobacco sector. RJR Nabisco was sold for far more than its pre-bid share price (what was its distribution policy?) and the equity markets have for a time penalised even Hanson for its involvement in tobacco. As well as the US health liability litigation, there is a peculiar risk of sudden changes in the shape of the market and competition. Grand Met's involvement in Liggett illustrates this latter point.

The lesson of RJR Nabisco for BAT may therefore not be that the non-tobacco businesses can be sold for fancy prices to eager buyers. Rather it may be that the equity market gives tobacco a risk rating so high that the business should be delisted and financed by debt.

Michael Day,
37 Arragon Road,
Twickenham, Middlesex

Eau dear

From Mr Oliver Miles.

Sir, I remember a French diplomatic colleague in Jeddah going on a bit about the dire effects of the 1973 oil price rise. A Saudi friend listened tolerantly, and remarked that a litre of petrol in France still cost a great deal less than a litre of Perrier water in Saudi Arabia (Letters, August 14).

Oliver Miles,
25 Polstead Road,
Oxford

FINANCIAL TIMES
Friday August 18 1989

Qantas flies into history with non-stop Sydney trip

By Chris Sherwell in Sydney

AUSTRALIA'S Qantas Airways managed a flight into history yesterday when one of its new Boeing 747-400s completed the first-ever commercial non-stop flight from London to Sydney, setting a world record for long distance air travel.

The aircraft, the first of Qantas's new long-range Boeing's, completed the journey in 20 hours and nine minutes, flying the traditional "Kangaroo Route" over Europe, the Middle East, Sri Lanka and the Cocos Islands.

The distance of 17,850km was the longest flown by a commercial aircraft without stopping, beating the previous record set by a South African Airways Boeing 747 Special Performance jet which flew 16,556kms from Seattle to Cape Town.

But it was not the fastest trip between London and Sydney. That belongs to Concorde, which completed the journey, including fuel stops, in 17 hours and three minutes.

Both achievements stand in sharp contrast to Qantas's first international flight in 1935. The airline, founded 20 years earlier as Queensland and Northern Territory Aerial Services, operated a De Havilland DH-86 on the first section of an Australia-UK service requiring five different aircraft types owned by three airlines. There were then 42 refuelling ports and the journey took between 12 and 14 days.

But technology doesn't necessarily make things simpler, and yesterday's non-stop flight was no less a feat of logistical planning.

The aircraft's Rolls Royce RB-211 engines required 217,000 litres of the densest-allowable jet fuel from Shell to ensure maximum energy generation, and that had to be transported from the company's Hamburg refinery.

The number of passengers was limited to 21 (the 747-400 is capable of carrying 500), and so was the weight each was allowed to carry. The aircraft, instead of taxiing, was towed into position at London's Heathrow airport to save fuel.

Qantas assembled its most senior crew, including four executive captains, to achieve optimum performance and minimise fuel burn. All air traffic control regions and authorities were also briefed.

The airline said the flight was made "to validate 747-400 performance data and fuel management techniques." The idea was to have fuel reserves for another 900km after the aircraft had flown for some 20 hours along the shortest possible flight track to Sydney.

But the flight was also designed to claim a new record with the 747-400. The aircraft has bigger wings than its predecessors with winglets at the ends. Fuel is also stored in the tail.

For Qantas, which is acquiring 10 jets at A$200m ($152.6m) each, it means further one-stop flights between Australia and Europe and more non-stop flights from Australia to North America.

But the achievement does not mean the day of the non-stop London to Sydney flight has actually arrived.

Consumers in the European Community could be faced with rises in air fares of up to 16 per cent and ferry fare increases of up to 35 per cent if plans for harmonising indirect EC taxes are adopted.

The warning is given by the European Commission by the Association of European Airlines and the Association of EC Shipowners. Page 2.

Ghosts haunting Benazir Bhutto

Christina Lamb in Islamabad charts the difficulties encountered by Pakistan's Prime Minister since the death of Zia one year ago

ONE year ago an air crash changed the course of Pakistan's politics. It killed military dictator President Zia ul-Haq and paved the way for the return of democracy.

The army stepped back and, to the nation's surprise, allowed elections, which saw Benazir Bhutto become the first woman leader of an Islamic nation.

Today Ms Bhutto's opponents accuse her of trying to create a one-party state, and General Zia, the man who even his son admits achieved popularity through death, has become the focus of anti-Bhutto sentiment.

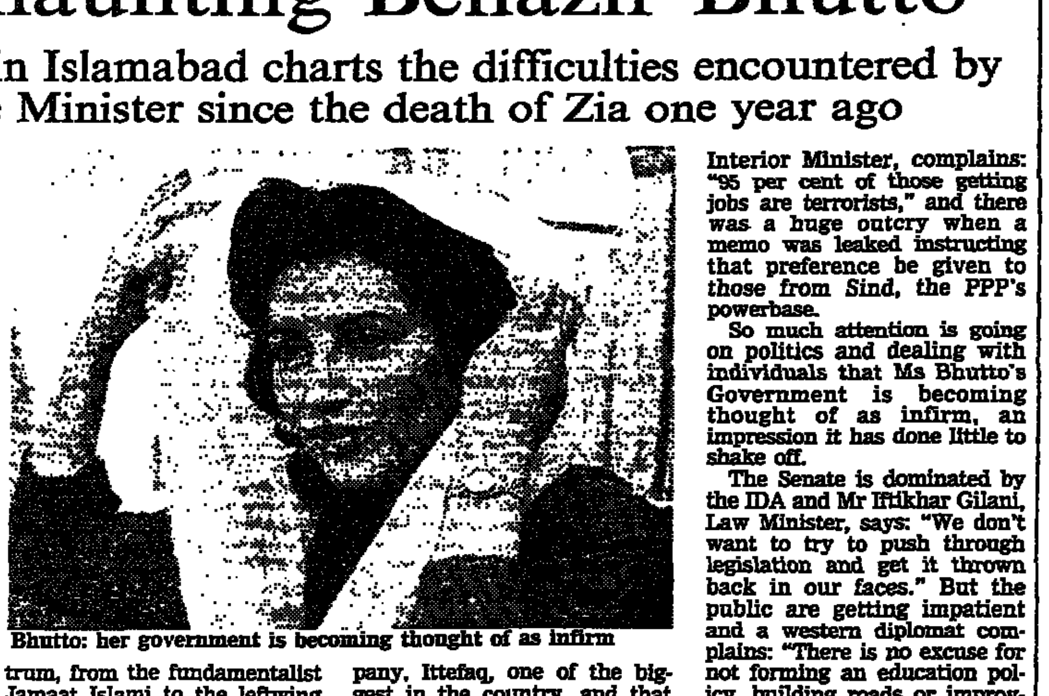
Around 100,000 people, including some who had been his bitterest adversaries, attended Gen Zia's death anniversary prayers. Mr Pervez Ilahi, organiser of the occasion and a leading member of the opposition Islamic Democratic Alliance (IDA), described it as a vote of no confidence against the Bhutto Government.

It reflects the increased polarisation of Pakistani society between two dead men, Gen Zia and Zulfilkar Ali Bhutto, Ms Bhutto's father and Pakistan's first elected Prime Minister, who was hanged by Gen Zia in 1979.

Mr Ijaz ul-Haq, Gen Zia's son, believes the fight will be between Ms Bhutto and him: "This is not just one man's anniversary; it is the revival of the cause that Pakistan's survival lies in Islam and we should not be subservient to any superpower."

In eight months Ms Bhutto's Pakistan People's Party government has yet to pass any legislation or look as if it is in power.

Government members complain that they have had to contend with an immense bureaucracy resistant to change, and often actively against them.



Bhutto: her government is becoming thought of as infirm

Almost all other parties right across the political spectrum, from the fundamentalist Jamaat Islami to the leftwing Awami National Party, previously with the PPP, have joined hands forming an anti-Bhutto coalition, the Combined Opposition, claiming 96 seats out of 237.

The greatest irritant to the PPP is the continuation of Mr Nawaz Sharif as Punjab Chief Minister, whom Ms Bhutto had predicted would not survive two months in the post. A campaign to remove him on the advice of some over-eager federal ministers succeeded only in increasing his support.

Mr Salman Taseer, deputy opposition leader in Punjab, complains: "Nawaz Sharif runs the Punjab government like his own personal company. Rules are waived, people with no education made judges, murder charges charges dropped, and funds for education and development used for his own purposes."

Although the PPP has decided to leave Mr Sharif alone politically until his support drops, they are squeezing him economically. Mr Sharif says: "They're trying to destroy me," claiming that all banks have been told not to deal with his family's company, Ittefaq, one of the biggest in the country, and that they are refusing to supply rail carriages to transport scrap for his foundries which are now closed.

Ittefaq has laid off workers and already defaulted on loan repayments and Mr Sharif has been asking supporters for money.

PPP members realise that they need to do something in Punjab if they are to win future elections. Several Punjab members complain that they are losing support because they are unable to do anything for their constituents, as all patronage lies with the provincial government. One complains: "I have a foreign grant for housing scheme in my constituency but Nawaz will not let me buy land."

Their biggest difficulty is providing jobs. Those who have suffered for and supported the PPP during its 11 years out of power, often going to jail, expected to be rewarded. The specially created Placement Bureau has been a disaster, much money changing hands for every job from a sweeper to federal secretary.

Mr Nasim Aheer, former Interior Minister, complains: "95 per cent of those getting jobs are terrorists," and there was a huge outcry when a memo was leaked instructing that preference be given to those from Sind, the PPP's powerbase.

So much attention is going on politics and dealing with individuals that Ms Bhutto's Government is becoming thought of as infirm, an impression it has done little to shake off.

The Senate is dominated by the IDA and Mr Iftikhar Gilani, Law Minister, says: "We don't want to try to push through legislation and get it thrown back in our faces." But the public are getting impatient and a western diplomat complains: "There is no excuse for not forming an education policy, building roads or improving income tax collection."

There has been criticism that Ms Bhutto's husband Mr Asif Zardari and his family are using power to make money on contracts and her father-in-law, who heads the public accounts committee, is even said to have asked for a ministership.

With several successful foreign trips Ms Bhutto has managed to convince the public that the US is behind her. The army is tolerating her as junior officers generally support her and she has left alone senior officers, who continue to get perks, such as plots and defence contracts.

She is expected to purge those against her with the removal soon of Admiral Sirohey, a move which will challenge the authority of President Ghulam Ishaq, who claims the power for such dismissals lie with him.

Government members complain that the President spends more time with the IDA and a minister says: "The only answer is to force a confrontation to resolve this dichotomy and sort out who's boss. If she succeeds there will be no stopping her".

Deaths in Peking put at 1,300

By Colina MacDougall in London

AT LEAST 1,300 people were killed in China's bloody crackdown on the democracy movement in June and far more than reported have been executed or arrested since, Amnesty International said in a statement yesterday to a United Nations subcommission in Geneva.

The London-based human rights group also called on the UN to stop human rights abuses in China, noting that "the Chinese Government's actions and its dismissal of UN expressions of concern about them revealed callous disregard for human rights principles and apparent contempt for the UN's institutions."

Addressing the UN Sub-Commission on Prevention of Discrimination and Protection of Minorities meeting in Geneva, Amnesty said Peking's announcement that only 200 civilians died in the June 3-4 firing was a gross underestimate. It said that at least 1,000 were killed in Peking and a further 300 in Chengdu, capital of Sichuan province.

Amnesty also said that it believed the number of people arrested after the protests was much higher than the 4,000 officially announced. It noted that accurate figures were impossible to obtain because of the "atmosphere of terror". An exiled student leader testified to the Sub-Commission that 120,000 people had been arrested since the crackdown.

● Peking's hardline leadership appears to be firming up its intention to prosecute Zhao Ziyang, the reformist party general secretary dismissed after the June crackdown. A state council spokesman told representatives of the Japanese newspaper, the Yomiuri Shimbun, that Zhao might face criminal charges if he is found to have participated in the "recent insurgency" or plotted or instigated the movement behind the scenes.

THE LEX COLUMN

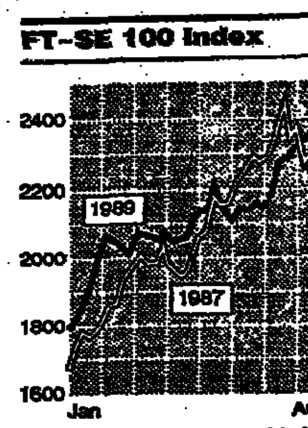
A better class of deficit

The US trade deficit is not just shrinking, it is doing so in all the right places. Import growth is falling as the consumer pulls back, whereas export growth is proceeding at a sustainable clip that makes the recession scaremongers look a little foolish. Wall Street, which a year ago was craving any sign that the deficit was righting itself, decided yesterday that this fresh downward move was somehow bad news. Quite perversely, everyone has become so fixated on what the figures mean for Fed policy that they forget that a modicum of growth with a better trade position are precisely what they wanted all along.

Contrary to what yesterday's fall on the bond market was saying, the figures surely mean precious little for the Fed, which had little excuse for further easing anyway. The fall in bond prices was simply an admission of being wrong before: given that the Fed is not going to embark on a round of panic easing, there is no excuse for two-year money at 7.5 per cent, nor for the eccentric U-shaped yield curve. At least the dollar reacted as it should; the rise might have been bigger still had it the world's central bankers not been breathing down its neck.

Meanwhile, the latest evidence of economic weakness in Britain deserves to be taken less seriously. Given what is happening to pay settlements it is pretty hard to believe that the growth in wages has peaked; and while the slowing in overtime is genuine enough, it is not much help when it is the level of pay demands that is the problem.

FT-SE 100 Index



British Telecom

If British Telecom's quality of service still leaves a lot to be desired, its stock market rating is even worse. For most of the last year, the shares of Britain's second biggest company have been massively underperforming the market. Increasing competition from Mercury, a feeling that the group is bound to lose out in the mobile phone revolution, and concern about its increasing costs at a time when its prices were frozen have turned BT into one of the country's most unloved blue chips.

However, yesterday's 5 per cent growth in first-quarter net income, and continuing double digit growth in call volume – despite the obvious slowdown in the economy – suggest that it would be dangerous to underestimate BT's undoubted potential. Admittedly, annual earnings increases of 5 per cent for the next couple of years are rather pedestrian and a prospective yield of 5.8 per cent looks mean when compared with British Gas or the 7 per cent plus which the water companies will command. That said, there can be few companies which have such defensive qualities in a recession and there is an awful lot of profit which can be squeezed out of this giant when the management eventually decides to get tough on costs.

GEC/Plessey

In keeping with the market's assumption that the battle for Plessey is effectively over, the formal offer document from GEC/Siemens is a low-key affair. The one belligerent note is the querying of Plessey's accounting policies, based evidently on the idea that the only weapon left to Plessey is an aggressive profits forecast. This is doubtless a fair assumption; Plessey has had all too much time in which to exhaust its ingenuity.

It may even be questioned whether the bid will now run through the full 60 days. The market seems to think not; yesterday's price of 267p – just 3p below the offer – does not allow for the full cost of money over the period. The market's attention has switched to GEC, whose shares have never been higher in absolute terms – even if they have still underperformed the market by two thirds in the past seven years.

There may be some enforced switching into GEC by conservative fund managers wishing to retain their sector weighting but unwilling to trust to the quality of its other constituents. And Lord Weinstock has plenty of scope for further excitements; with the cash from the Alsthom and GE deals to offset the cost of Plessey, he could have nearly as much firepower at the year end as he had at the start.

Royal Insurance

It is a fair wager that the early- to mid-1990s could witness a regrouping among the UK's composite insurance companies, as significant as the great merger wave of the 1950s. It is hard to discern just how it will occur; and the reasons have more to do with the general over-capacity of world insurance markets than with developments in Europe specifically, such as 1992 or Victoire's takeover of Colonia.

Sun Alliance's 14.5 per cent stake in Commercial Union looks, though, like an important omen. And Royal's North American travails, and hints yesterday that corporate restructuring would be one way to cushion the business from US price wars, add to the sense of the ground shifting beneath the sector.

Royal is not giving up on the US just yet, although one hopes it is not expecting a cessation of the current price war before 1991. That Royal is expanding its liability insurance business via a new company in Atlanta is a possibly unwelcome indication of optimism there. But yesterday's poor interim results have underlined the basic mediocrity of Royal's US business, compared with its excellence elsewhere. Like CU, it must be prepared to take some radical decisions, especially in the US, as soon as the underwriting cycle gives it room to manoeuvre.

Appliances

The latest news from the global domestic appliance industry is not particularly bullish, but neither does it suggest that a recession is just around the corner. Yesterday's second quarter results from Electrolux showed that its operating margins have come under surprising pressure but its profits are still moving ahead. Meanwhile, its big US competitor, Whirlpool, says that despite the increased competition its recent price increases are sticking; and while the US appliance market will be down by another 3 per cent for the second year in a row, Europe should still show some volume growth.

France sends aircraft carrier to eastern Mediterranean

Pro-Syrian militiamen breakfast near the Green Line dividing Beirut after yesterday's UN ceasefire came into force

FRANCE yesterday despatched an aircraft carrier to the eastern Mediterranean and stepped up its diplomatic efforts to resolve the Lebanese crisis by sending a senior envoy to Beirut, write George Graham in Paris and Andrew Gowers in London.

The Foreign Ministry in Paris announced that the aircraft carrier Foch was sailing to join the destroyer Duquesne and two smaller vessels off the Lebanese coast in providing "any aid which might appear necessary."

The announcement came as the latest ceasefire between Christian and Moslem forces in Beirut faltered, with renewed exchanges of mortars and rocket-propelled grenades along the green line dividing the Christian east from the Moslem west of the city.

The large Syrian guns whose 240mm mortar shells caused devastation in the city earlier this week, however, appeared to be quiet.

Despite an appeal from the United Nations Security Council on Tuesday night for a total ceasefire, there were scant hopes yesterday of a lasting truce.

Pro-Syrian Lebanese militias vowed to continue shelling Christian ports north of the capital to prevent arms from reaching forces led by Maj-Gen Michel Aoun, the army commander fighting for a withdrawal of Syrian troops from Lebanon. Gen Aoun has demanded an end to this blockade as a condition for maintaining a ceasefire.

Foreign diplomats in Paris appear uncertain as to what France intends to achieve by increasing its naval presence. Officials indicate that no general evacuation of the 7,000 French citizens in Lebanon is likely, and suggest that the mere presence of the vessels is intended to reinforce parallel diplomatic manoeuvres.

There was no official comment yesterday on press reports that France had threatened to open fire on Syrian troops if they did not halt their attack on the forces of Gen Aoun.

There has been pressure from some right-wing politicians for action to force Syria, which is trying to oust Gen Aoun, to respect a ceasefire.

"All those involved in the fighting, notably Syria, must understand that there will be consequences if the ceasefire is not respected," said Mr Jean-Francois Deniau, a former conservative foreign minister who took part in an abortive French intervention in Beirut earlier this year.

To pursue France's diplomatic efforts, Mr Alain Decaux, a junior foreign minister, arrived in Beirut yesterday for talks with the warring Lebanese parties. French officials appear determined to ensure that international concern over the fate of the country does not die down following the UN Security Council statement on Tuesday.

After a visit to Moscow by a high-ranking French official earlier this week, they also hope the Soviet Union may be able to step up pressure on Syria to accept a ceasefire.

WORLD WEATHER

[illegible]	[illegible]	[illegible]	[illegible]

Lloyd's underwriter cleared of charges

Continued from Page 1

secret purchase of Geneva-based Banque du Rhône et de la Tamise (BdR) from Howden.

When the trial began only three of the alleged conspirators were in the dock, Mr Comery having died and Mr Page being too ill to stand trial. Charges against Mr Carpenter were later dropped because of his ill health.

Mr Grob faced 27 charges, to all of which he pleaded guilty. The prosecution later dropped all except 16 charges of theft.

Mr Posgate pleaded not guilty to two charges: conspiracy to defraud (later dropped) and conspiracy to steal money from Lloyd's syndicates.

The prosecution alleged that funds from Howden and the syndicates were transferred to a "pretend" Panamanian reinsurance company, Southern International Re (SIR).

The funds then went to Panamanian holding companies owned by Liechtenstein trusts set up for Mr Grob, Mr Comery, Mr Carpenter and Mr Page. It was alleged it was those trusts, together with Hereford, a Liechtenstein trust created for Mr Posgate, that secretly bought BdR.

Summing up Mr Justice McNeill told the jury that before they could convict Mr Grob they had to be satisfied:

● He had been party to an unlawful joint enterprise to steal.

● Joint enterprise instructions had been given by one or other of the four for the transfer of funds out of Howden and syndicate accounts.

● Money had been transferred into accounts controlled by Mr Grob, Mr Comery, Mr Page, Mr Carpenter, Mr Posgate or another.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday August 18 1989

INSIDE

Victoire takes to the stage

The curtain is due to rise today on a French drama: the country's largest takeover battle. The French Stock Exchange is expected to announce its authorisation for the twin bids by Compagnie Financière de Suez for Groupe Victoire, the leading insurance group, and Compagnie Industrielle, Victoire's main shareholder. And many actors could take part. Mr Jean-Marc Vernes (above), chairman of Compagnie Industrielle, is seeking co-defendants for Suez — one of whom might be Mr Raul Gardini, the Italian financier with whom Mr Vernes is closely associated. Mr Gardini, in turn, is associated with Paribas, Suez's arch-rival. And on Compagnie Industrielle's board sits Mr Renaud de la Genière, the chairman of Suez. Page 18

Siemens gets Rolm — at last

After a preliminary pact announced in December, IBM and Siemens have finally agreed formal terms under which the German group will take over the assets of IBM's Rolm, its telecoms equipment subsidiary. Siemens will acquire Rolm's development and manufacturing functions and will share worldwide marketing and service with IBM. Negotiations took so long, according to a Siemens official, because "the lawyers kept throwing new issues on the table." Page 19

Small shellfish in a big debate

Brain teaser for the day: which country is the world's largest exporter of shrimps? Answer - Ecuador. In less than 20 years shrimp farming has gone from being little more than a novelty to become, in 1983, second to oil as a foreign exchange earner. But there are dramatic results on the downside too; traditional shrimp fisherfolk have seen their livelihood disappear, and the destruction of coastal mangroves to make way for the shrimp ponds is proving environmentally disastrous. Page 26

South Africa's sea of cash

Strict exchange controls and a relaxation in institutional investment rules have created a sea of cash that has made the South African stock market one of the world's strongest performers so far this year. The demand has easily mopped up a steady flow of divestments by overseas companies. The main beneficiaries have been industrial stocks, while gold shares, traditionally the market's driving force, have lagged behind. Page 38

Disappointing results at EHP

Good sales of Scholl sandals did not manage to lift the gloom at European Home Products, the UK retail and distribution company. Depressed consumer durable sales in Spain and Italy and losses in its hosiery business prompted a 22 per cent fall in trading profits in the first half of 1989. The company had warned in May that trading profits would be down by up to a quarter, but that did not stop Mr Douglas Ash, chairman and chief executive, describing the performance as "disappointing." Page 23

Chief price changes yesterday

FRANKFURT (DM)

Rises		
Degussa	321	+ 6
Hertie	268	+ 6
Nixdorf	353.7	+ 6.7
Vereins-West	458	+ 8
Falls		
Kaufhof	512	— 5
Siemens	594.5	— 3.5

PARIS (FFr)

Rises		
Accor	771	+ 6
Eurocom	1840	+ 18
Falls		
Club Med	633	— 5
Hachette	446	— 8
Ocean	407	— 9
Union Immob	805	— 10

NEW YORK ($)

Rises		
AMR	75⅞	+ 1½
Fruit of Loom	15	+ ⅞
Monsanto	113⅞	+ 1
NCR	63⅞	+ 1⅞
UAL	253⅞	+ 12½
Falls		
ChemDesign	13⅞	— 1⅛

TOKYO (Yen)

Rises		
Hitachi Powder	1340	+ 200
Hitachi Tool	1120	+ 100
Tsurumi Soda	1070	+ 95
Falls		
Shiroki	1190	— 30
Yokowo Mfg.	1720	— 110

New York prices at 12.30.

LONDON (Pence)

Rises		
Body Shop	464	+ 12
Cowie (T.)	130	+ 5
Ego Grp.	76	+ 5
GKN	471	+ 13
Jaguar	408	+ 13
LASMO	507	+ 7
Lucas Inds.	715	+ 12
Pearl Grp.	509	+ 8
Priest Marians	514	+ 22
Reed Int.	497	+ 7
Rothmans	653	+ 12
Royal Ins.	444	+ 11
Saatchi & S.	321	+ 8
Slough Estates	393	+ 15
Sotheby's	2025	+ 75
Std.Chartered	580	+ 13
Western Motor	818	+ 184
Falls		
Cadbury Schweps	410	— 5
Euro Home Prods	178	— 12
Gen. Accident	1010	— 19
Tarmac	287	— 5
Whitbread A	378	— 5

Navistar profits and orders fall sharply

By Anatole Kaletsky in New York

NAVISTAR, the leading US manufacturer of heavy trucks and mid-range diesel engines, yesterday reported a sharp fall in profits and orders for its latest quarter.

The company, which was formerly called International Harvester, said its results would be even worse in the current quarter and that a "small loss" might be announced.

Navistar added that it was reducing production schedules at its main facilities and that cuts in its workforce might be required. The company's shares fell $⅛ to trade at $4⅞ in fairly heavy dealings shortly after the results announcement.

Navistar made net profits of $28m, or 8 cents a share, in its third quarter to July. This was 40 per cent lower than the $47m, or 15 cents, reported a year ago. Sales were up 5 per cent at $1.03bn, while operating expenses rose by 8 per cent to $921m. New orders fell sharply across the product line.

Orders for heavy trucks in the third quarter were 33 per cent lower than a year ago. This represented a sharp reversal compared with the first two quarters of Navistar's fiscal year. Orders for medium trucks were down 18 per cent in the third quarter and 12 per cent lower in the first half.

Navistar said it was suspending all operations for five days at its plant in Springfield, Ohio, and for 10 days at Chatham, Ontario. From next month its output at Springfield would be cut by 15 per cent. Chatham production has already been scaled back by 10 per cent.

The lower truck production levels and costs associated with the schedule reductions would reduce fourth-quarter earnings below third-quarter results and could result in a small loss for the quarter, the company said.

Despite the latest setbacks, Navistar said it increased its share of the US medium and heavy truck market to 28 per cent in the latest quarter from 25 per cent a year ago. Its sales for the first nine months of its fiscal year were up 4 per cent at $3.07bn.

Its net profits in the nine-month period were $100m, or 31 cents a share. This compared with $162m, or 55 cents, reported a year earlier. The year-earlier figure included a one-time net gain of $24m partly offset by a $15m charge.

Purchase of Sulzer unit by MAN likely to be forbidden

By Andrew Fisher in Frankfurt

THE PROPOSED purchase of the loss-making diesel engine activities of Sulzer of Switzerland by MAN of West Germany is likely to be turned down by the German Federal Cartel Office on competition grounds, because of their dominance in the design and building of products for the shipbuilding industry.

The marine engine sector has suffered in recent years from the tribulations of the world shipbuilding industries. Last year MAN lost DM17m ($8.9m) on diesels, though it expects the division to make a small profit this year due to restructuring and market recovery. Sulzer's diesel engine operation has been in the red for several years.

The companies announced the deal in March, and Mr Klaus Götte, MAN's chief executive, said the aim was to create a company "that can survive under changed and rougher competitive conditions."

Neither company would comment yesterday on the expected outcome of the cartel office's deliberations. Nor has the cartel office in Berlin officially indicated its decision, though it has written to the two companies telling them it intends to turn the deal down. They have until next week to reply.

Some 60 per cent of large marine engines supplied to world shipyards are built with designs from Sulzer or the German group's MAN B & W Diesel division. Mitsubishi Heavy Industries of Japan takes third place with 9 per cent of the market. In manufacturing terms, however, Hyundai of South Korea, Mitsubishi and Wärtsilä of Finland lead Sulzer and MAN. But the cartel office is required to concentrate on Germany, where Sulzer and MAN engines dominate the market.

The acquisition would create a joint operation with turnover of DM1.3bn, with the Swiss company contributing 30 per cent. MAN's total turnover is around DM15bn.

Mr Götte has said that MAN intends to build its diesel division into a fourth operational pillar next to steel trading and project engineering, trucks and printing machinery. He has also said that MAN had toyed with the idea of giving up marine diesels – both companies also make non-marine engines. "But our status in this sector is too big. The consequences would be severe if we closed all our plants in this division. We think we are strong enough to take a brave forward move."

GEC and Siemens doubt Plessey's ability to survive

By Hugo Dixon

GENERAL Electric Company of the UK and Siemens of West Germany cast doubt on Plessey's capacity to continue as an independent company in an offer document for their smaller UK rival which was published yesterday.

The Anglo-German consortium also produced graphs and tables suggesting that Plessey's financial performance in recent years had been poor. The aim is to convince Plessey's shareholders that the final 270p a share offer, which values the company at £2bn ($3.2bn), is generous.

The document was immediately attacked as "flimsy in the extreme" by Mr Stephen Walls, Plessey's managing director. He also accused GEC and Siemens of making a very selective presentation.

One graph in the document showed how the Plessey share price had underperformed the FT-A all-share index over the five years to last November. Mr Walls responded: "We have actually outperformed them [GEC] over the same period."

The document also stated that Plessey's earnings per share had grown by less than 3 per cent a year over the five years since 1984. Mr Walls countered that the company's earnings per share had grown faster than both GEC's and Siemens over the period.

Mr David Newlands, GEC's finance director, yesterday refused to discuss GEC's financial performance relative to Plessey's, saying the offer was for Plessey.

Mr Walls also attacked the consortium's industrial arguments. GEC and Siemens claimed that Plessey's telecommunications, defence electronics and semiconductor activities were too small to compete worldwide.

"Plessey cites an assortment of recent acquisitions as support for a revitalised strategy, but through these acquisitions Plessey has diminished its asset base and increased its exposure to risk. It remains a relatively small company, even by European standards," the document says.

However, Mr Walls argued that, in telecoms, GEC would end up as a junior partner to Siemens because it would be dependent on the German company's technology. And, in defence, he asked how Plessey's businesses could continue to have a close relationship with its central research facilities if they were divided between GEC and Siemens.

The offer document also revealed that GEC has served a legal notice on Plessey, claiming it has broken the agreement setting up GPT, their telecoms joint venture, and claiming £53.5m in damages. GEC's contention is that the value of the businesses Plessey contributed to the joint venture was not as great as it promised.

The document produced little effect on the stock market, with Plessey's shares closing 1p up at 267p. "The whole thing reads rather lackadaisically," commented Mr Piers Whitehead, an analyst at Robert Fleming Securities.

Plessey now has two weeks to prepare its defence document, although it is likely to move more swiftly. Under takeover rules, GEC/Siemens can start buying more Plessey shares to add to their 29.9 per cent stake in three weeks' time.

Starring role born of sense of timing

Robert Taylor and **Kenneth Gooding** on the rise of Sweden's Trelleborg

Trelleborg is widely seen as one of the big success stories in Sweden's industrial revival of the 1980s. Its SKr14.3bn ($2.2bn) joint bid with Noranda, the Canadian natural resources group, for Falconbridge, the world's second-largest nickel producer, is the latest move in an aggressive acquisition strategy.

This strategy has transformed Trelleborg from a company on the periphery of Swedish industry into the country's sixth-biggest group in terms of sales and assets and put it among Fortune magazine's top 250 outside the US.

Spearheading the transformation was Mr Rune Andersson, the 44-year-old chief executive who arrived from Electrolux in May 1983 with a very clear idea of what he wanted to achieve at Trelleborg.

Since his arrival Trelleborg's annual net profit has soared from SKr105m to just over SKr2bn in 1988, with SKr2.4bn forecast for this year. Turnover in the same period has gone up from SKr1.7bn to SKr21.5n and Trelleborg's share price has climbed from SKr15 to SKr380.

Mr Andersson's business philosophy is deceptively simple but has worked well. "We operate in mature industries," he declares. "I am not interested in moving into what I call the spectacular areas, like pharmaceuticals and electronics. But in those industries where we are represented we want to be leaders, not on the fringe."

However, it was not until three years ago that Trelleborg, until then still seen as a somewhat sleepy rubber and plastics company, emerged as a leading industrial player in Sweden. Then it paid SKr3.5bn for 58 per cent of Boliden, one of western Europe's major metals and mining groups.

Boliden was suffering from the prolonged recession in metals prices and chalking up record losses and had itself recently diversified by buying the Ahlsell industrial and trading company.

Mr Andersson installed Mr Kjell Nilsson, a close associate he brought with him from Electrolux, as Boliden's managing director. Mr Nilsson quickly took the new acquisition "back to basics".

Several fringe businesses were sold off or closed down, 2,000 employees made redundant and within a year Boliden was reporting an annual profit of SKr600m for 1987, whereas a year before it was losing SKr1.5m a day.

Boliden has international mining interests, but the core of its operations is formed by 18 mines in Sweden producing copper, lead, zinc, silver and gold. But at the time of the takeover by Trelleborg some of the mines had only about five years' life left in them.

In March last year the new Boliden management won SKr341m of financial backing from the Swedish Government towards a SKr1.7bn package to revitalise its mining operations in its home country. There are 15 projects, including several new mines and some closures. The idea is to boost output by about 10 per cent.

With that programme in place, Boliden began to look outside Sweden for more mines and had been stalking Falconbridge for some time before Noranda moved on the nickel group in a much more aggressive fashion.

Mining and metals contributed 53 per cent of Trelleborg's profits and nearly one third of its turnover last year. But Mr Andersson is more than willing to increase the group's exposure because he believes that "in the past decade consumer products stimulated industrial growth, but over the next 10 years we are going to see a huge expansion in the infrastructure business – the construction of buildings, roads, sewerage systems".

Consequently, he says, there will be no let up in world demand for metals. And while there will always be volatility in metal prices, Mr Andersson believes prices will remain at "a reasonable level".

Apart from mining and metals, Trelleborg has interests in three other sectors: building and distribution, rubber and plastics, and mineral processing.

In building and distribution, which last year accounted for 28 per cent of group sales and 18 per cent of profits, Trelleborg is now the biggest operator in the Nordic region. It is also about fourth in the European league table for rubber and plastics.

There are certainly no signs of let up in the company's expansionist ambitions, particularly as Mr Andersson has set an annual growth rate of up to 20 per cent.

In his first six years at Trelleborg Mr Andersson took the company out into the market-place to buy low-valued companies in those mature sectors where there were few other players. "Our basic philosophy is to buy during a recessionary period when prices are low. You say that we buy firewood in the summer and sandals in the winter. To us the timing is all important," he says.

As a result, more than 100 companies worldwide have been acquired since 1985 with a combined turnover of SKr28.5bn. But this is not an exercise in asset stripping. This year alone Trelleborg's investment in plants and equipment in its acquisitions will amount to about SKr1.4bn.

The strategy has been to restructure, rationalise and concentrate on internal efficiency. Mr Andersson talks enthusiastically about the synergy effects of his acquisitions. The performance has certainly been impressive. Last year in three out of the company's four business areas it achieved a 20 per cent return on capital employed. Only in rubber and plastics was the performance under target. Above all, the strategy has meant developing the core businesses and selling off what does not fit into the grand design. This is why, for example, Mr Andersson sold off Boliden Kemi, the chemicals division, earlier this year to the Finnish company Kemira Oy.

Trelleborg's success also owes much to its combination of a flexible, decentralised structure with a close cost control from its headquarters in southern Sweden.

Not all has gone his way in the 1980s. The company took a 10 per cent stake in Sweden's SKF with the intention of eventual takeover, but the other big shareholders in the concern, including the powerful Wallenbergs, resisted. As a result, Trelleborg pulled out but sold its shares in SKF for a good profit.

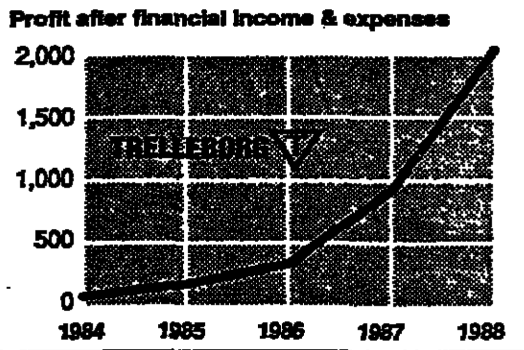
In classic Swedish style, Mr Andersson is starting to develop a wider view of Trelleborg's place in the world.

Mr Andersson has demonstrated with panache that it is still possible for a company to grow and flourish in traditional areas of industry. If he is right about the trends in the 1990s, Trelleborg still has plenty of growth ahead.

Sales & operating profit by business area 1988

(Skr m)	Invoiced sales	Profit after depreciation
Building & Distribution	5,991	319
Mining & Metals	7,009	920
Rubber & Plastics	3,648	195
Mineral Processing Systems	1,986	164
Chemicals	1,896	131
Other	993	-138
Total excluding financial items	21,523	1,591

Profit after financial income & expenses



Royal profits slip 22% to £120m

By Eric Short in London

ROYAL Insurance, a leading British composite insurance company, unveiled a 22 per cent drop in pre-tax profits for the first half of 1989, a sharper decline than has been reported by some of its UK competitors.

But insurance analysts yesterday said Royal's results were not as bad as had been anticipated in view of the company's heavy exposure in North America.

Mr Ian Rushton, group chief executive, discussing the group's problems in North America, yesterday said partial disinvestment of its operations was one of several options under consideration.

The temptation for Royal to at least dilute its involvement in the US grows stronger with each set of results.

Yesterday's showed that four of its five general insurance companies had achieved record pre-tax profits at the half-year stage. The exception was Royal US.

Pre-tax profits at the half-year stage were 22 per cent down at £119.6m against £154m last year.

In the US, underwriting losses more than doubled to £120m and last year's first-half profit of £28.7m before tax and loan interest has turned into a £24.9m loss.

This deterioration more than absorbed the good results in Royal's other insurance operations, particularly in the UK and, surprisingly, in Canada.

Here, Royal UK saw profits before tax and interest jump 50 per cent from last year's £60.3m to £94.1m partly as a result of a substantial improvement in the property account.

The emerging problem in the US is environmental pollution and Royal seems ahead of competitors in strengthening its reserves.

Another big problem is the UK estate agency network, which lost £13.8m.

Meanwhile, shareholders receive a 13.2 per cent increase in the interim dividend to 10.75p, a big influence in the 11p rise in the share price to 444p. Lex, Page 16

Spanish banks announce three cross-border deals

By Tom Burns in Madrid

DEFYING the prolonged mid-August siesta, three Spanish financial institutions unveiled transnational deals yesterday that underlined the increasing international dimension of banking.

The boldest move was announced by Banco Bilbao Vizcaya (BBV), Spain's largest bank, which is to swap a subsidiary for the Compagnie du Crédit Universel unit of Banque Nationale de Paris as part of a co-operation agreement.

The exchange allows BBV to narrow the gap between it and the international trailblazer of Spanish banking, Banco de Santander, which bought 10 per cent of Royal Bank of Scotland last year and last month signalled an *alliance with Nomura Securities* of Japan, the world's biggest stockbroker.

However, Santander yesterday bought 3 per cent of Kemper Corporation, the holding company of the US financial services group KFC, for a reported $60m.

Just as intriguing was the decision by a group of Spanish rural savings banks (*Cajas Rurales*) to bring in West Germany's Deutsche Genossenschaftsbank (DG Bank) as a partner to create a new institution that will act as the umbrella of the deposit-rich institutions.

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INTERNATIONAL COMPANIES AND FINANCE

BNP swaps finance unit for 85 Spanish branches

By George Graham in Paris and Tom Burns in Madrid

BANQUE NATIONALE de Paris (BNP), the leading French state-owned bank, is planning a far-reaching exchange of bank branches with Banco Bilbao Vizcaya (BBV) of Spain.

The two banks have signed an agreement which will pave the way for BNP to swap its Crédit Universel subsidiary, a bank specialised in consumer finance with 85 branches in France, for Banco de Credito y Ahorro, a unit of Banco Bilbao.

This is the first time a profitable mainstream Spanish bank has sold off a subsidiary, let alone to a foreign company. Approval is still needed from the two countries' banking regulators and from the French Finance Ministry.

BBV will add another 40 branches from its own network, to be selected in conjunction with BNP, to the 45 branches of Credito y Ahorro. The recently created Spanish banking group, the country's largest, is heavily overweight in branches.

The agreement will allow BNP, already one of the more active foreign banks in Spain, to reinforce its branch network and step up to the size of a full-scale bank covering the full range of corporate and consumer banking services.

Mr Jacques-Henri Wahl, managing director of BNP, said: "This illustrates our desire to have a presence in Spain that matches Spain's importance in the EC. In southern Europe we have favoured a presence based on a branch network and with a universal banking vocation."

The deal gives BBV a strategic beachhead in Europe. BBV officials said yesterday that in addition to the exchange of subsidiaries the agreement could entail further swaps among industrial holdings.

Considerable future co-operation was also forseen in venture capital and joint investment fund management as well as in insurance and property.

BNP will hand over an initial 51 per cent stake in Crédit Universel to BBV on January 2 1990 in exchange for 58 per cent of Credito y Ahorro. Over a three-year transitional period both will maintain the existing management structure. Each will be owned outright by its new parent by 1992.

Banco de Santander buys stake in Kemper

By Tom Burns

BANCO DE SANTANDER, the big Spanish commercial bank, added another string to its growing international bow with the purchase, announced yesterday, of 3 per cent of Kemper Corporation, the holding company of Kemper Financial Companies (KFC), the US trading, asset management and insurance group.

The price paid was a reported $60m.

Last month Santander established a link with Nomura Securities which acquired a 1.5 per cent stake in the bank and a further 10 per cent in Banco Santander de Negocios, its investment banking subsidiary. Last year Santander conducted the most ambitious foreign purchase to date by a Spanish bank when it bought 10 per cent of Royal Bank of Scotland.

Santander said the latest purchase formed part of a widespread agreement with KFC that covered co-operation in investment management, mergers and acquisitions, and trading activities in the US, Spain and in other areas where Santander had interests.

Under the purchase terms Prescott Ball and Turben, a KFC subsidiary, will handle Santander's commercial paper in the US.

Last month Mr Emilio Botin, Santander's chairman, attributed the bank's strong first-half results to its "expanded presence in the world's financial centres and diversification of financial activities."

The bank reported net profits of Pta28.8bn ($242m), up 32.6 per cent on the first six months of last year, and net interest income of Pta77.9bn, a 27.6 rise.

DG Bank ventures into Spain

By Tom Burns

SPAIN'S big rural savings banks, the *Cajas Rurales*, have joined forces with Deutsche Genossenschaftsbank (DG Bank), the umbrella organisation for West Germany's co-operative banks, to apply to open a new bank which will be called Banco Cooperativo Español.

Mr José Luis Garçia Palacios, chairman of the local *caja* in Huelva and the future head of the new bank, said the *Cajas Rurales* would subscribe 85 per cent of the new institution's Pta3bn ($250m) equity and that DG Bank would hold a 15 per cent stake.

The application, which has now to be considered by the Bank of Spain and by the Economy Ministry, marks the first foreign entry into Spain's well-established savings bank industry.

Authorisation is expected towards the end of the year.

The 24-strong group of *Cajas Rurales* that are backing the venture represent just over 70 per cent of the close on Pta1,000bn of deposits held by the 90-odd rural savings banks in Spain and Mr Garçia Palacios said he expected many among the smaller savings institutions to become shareholders of Banco Cooperativo Español in the future.

The venture represents a considerable blow to the Instituto de Credito Oficial (ICO), the state credit agency, which had attempted to group the *Cajas Rurales* under its subsidiary, Banco de Credito Agricola, in a venture similar to the one that has been agreed with DG Bank. The rural savings banks broke off negotiations last year with the Banco Agricola and began to look for a foreign partner when ICO insisted that its subsidiary should have a controlling interest in the venture.

"With a view to the European Community and 1992 we are far better off with the Germans," Mr Garçia Palacios said. "They are more competive than the Banco Agricola and they have more know-how." DG Bank is the sixth largest in West Germany and has assets of DM135bn ($69.5bn).

Banco Cooperativo Español, which will be headquartered in Madrid, will act as the flagship of the *Cajas Rurales*, centralising information and establishing the overall policy for its shareholder savings banks. The latter will continue to operate their branches, but local Banco Cooperativo Español offices will in time be opened in areas not covered by the existing rural banks.

Mixed interim results in Danish banking sector

MIXED RESULTS have been emerging from leading Danish banks in the first half, with the most prominent feature being a slide into loss at Copenhagen Handelsbank after it boosted loss provisions 60 per cent to DKr680m ($90m), writes Hilary Barnes in Copenhagen.

Its interim pre-tax loss was DKr21m compared with a profit of DKr614m last year. Mr Hans Ejvind Hansen, who took over as chief executive at the start of the year, said: "I expect losses to be considerably lower in the second half."

Danske Bank, Denmark's largest commercial bank, improved first-half earnings after provisions and appreciation by 41 per cent to DKr652m. Provisions were cut from DKr415m to DKr363m.

Earnings before provisions were up by 18 per cent to DKr1.07bn.

The Jutland-based Jyske Bank reported a slight decrease in profits after depreciation and provisions to DKr247m from DKr255m. After a DKr33m loss on the securities portfolio adjustment, pre-tax profits were down from DKr300m to DKr156m.

French insurers man the defences

George Graham previews the country's biggest takeover battle

France's largest ever takeover battle is due to commence today when the French stock exchange is expected to announce its authorisation for the twin bids by Compagnie Financière de Suez for Groupe Victoire, the leading insurance group, and Compagnie Industrielle, Victoire's main shareholder.

The bids, announced last week but suspended while the exchange examined the details of Suez's offers, have triggered a discreet struggle for alliances in French high finance, as Mr Jean-Marc Vernes, chairman of Compagnie Industrielle, seeks to line up his backers to defend against Suez.

Jean-Marc Vernes: seeking backers to line up defence against Suez

At the offer price of FFr13,000 a share, a premium of 30 per cent to the last quoted price, Suez would have to pay FFr15.89bn ($2.42bn) for the 22 per cent of Compagnie Industrielle it does not already own.

If the bid is successful, Suez has offered FFr1,800 for each share and FFr900 for each non-voting certificate of investment in Victoire, valuing the insurance group at FFr28.7bn.

Suez has sought to ensure the neutrality of some of the companies which surround Compagnie Industrielle in a complicated web of cross-shareholdings.

At the centre of this diplomacy is Centenaire Blanzy, a holding company with a 18 per cent stake in Compagnie Industrielle, but in which the latter also has a strong presence indirectly through six other intermediate holdings. Blanzy has said that it will tender its shares to the highest offer.

Mr Vernes, meanwhile, is widely expected to counter Suez's bids with an offer for control of Compagnie Industrielle, in which his own holding company is the principal shareholder with 25.3 per cent. French stock exchange rules require a counterbid to be worth at least 5 per cent more than the previous offer.

French financiers have been puzzling, however, over who will support his counter-attack. Mr Vernes is closely associated with Mr Raul Gardini, the Italian financier, but he has promised the French government that any counterbid would have a French majority.

Mr Gardini, in turn, is closely associated with Paribas, Suez's arch-rival. Market analysts believe that a head-on collision between the two leading French investment banks remains unlikely, but are watching closely for signs of Paribas's attitude.

Mr Vernes has called a board meeting of Compagnie Industrielle for Tuesday, and is not expected to announce his plans until then. The board includes, however, Mr Renaud de la Genière, the chairman of Suez, so any private negotiations on a counterbid are likely to be carried out before the meeting.

Following the registering of the bid by the stock exchange, the offer document must still receive the approval of the Commission des Operations de Bourse (COB), the stock market regulatory authority. This approval is expected on Monday.

UK furnisher unveils refinancing package

By Maggie Urry and Norman Cohen in London

LOWNDES QUEENSWAY, the British furniture and carpet retailer headed by Mr James Gulliver, yesterday revealed details of a financial restructuring forced on the company by the combination of high interest rates, a heavy debt burden and a cylical downturn in its business.

The company which warned that it will probably incur a loss for the year, said existing shareholders would be asked to subscribe for £18.5m of new equity capital through a rights issue to be underwritten by some of its institutional shareholders. In addition its bankers had agreed to a £18m deferral of debt repayment.

It revealed just how bad trading has been, saying it probably lost about £17m ($27m) in the half-year to July 30, and would make a loss for the year. It said that no dividend would be paid for the current year.

Reaction from bankers suggested that, as with the refinancing package announced on Wednesday by MFI, another leading furniture group hit by a heavy debt burden, Lowndes had not suffered any financial penalties from its bankers because of the need for extra cash.

A special meeting to approve the package will be held on September 4.

The shares, suspended on Monday at 22½p, are due to start trading again today. The rights price is 20p and shareholders will be offered three new shares for every seven held.

Lowndes was formed when a team headed by Mr James Gulliver acquired Harris Queensway a year ago for £450m, much of which was borrowed money. Trading deteriorated rapidly and the group was unable to pay the full dividend promised in the takeover documents for the period to January 1989.

Although the sales falls have now moderated, Mr Eddie Dayan, managing director, said the refinancing had been based on very conservative assumptions about a recovery.

Hewlett earnings slowed by Apollo

By Roderick Oram in New York

HEWLETT-PACKARD, a leading maker of computers and other electronic equipment, has reported a small fall in third-quarter profits reflecting, as forecast, the short-term impact of its recent acquisition of Apollo Computer.

Net profits dipped 3 per cent to $187m or 79 cents a share, from $192m or 80 cents a year earlier. The latest quarter includes two months' contributions from Apollo, a workstation maker. Without Apollo, net profits would have been 92 cents a share.

"We're very pleased with the continued strong market acceptance of Apollo products and with Apollo's overall performance," said Mr John Young, president. Revenues rose to $3bn from $2.43bn, thanks to brisk demand for the company's work stations, personal computers and peripherals. Sales of test and measurement equipment improved and orders for medical and analytical equipment grew strongly.

"Offsetting this strength, HP – like others in the industry – has begun to see some order weakness for high-end minicomputers and associated systems peripherals, and for electronic components," Mr Young added.

The cost of goods sold as a percentage of revenues increased, however, to 51.9 per cent from 49.3 per cent, because of a 21 per cent increase in operating expenses. The company said it faced a challenge to match its shipments and expenses to the changing mix of its business. The company has implemented expense and hiring controls.

Net profits for the nine months ended July edged ahead 2 per cent to $583m, or $2.46 a share, from $573m, or $2.33. Revenues grew by 20 per cent to $8.52bn from $7.12bn.

"While we're pleased with the overall order growth, our margins are not keeping pace. This is a high priority issue and we've taken actions to address it," Mr Young said.

IBM agrees Rolm sale to Siemens

By Roderick Oram in New York and David Goodhart in Bonn

IBM AND Siemens have finally hammered out terms of an agreement under which the West German group will take over most of the assets of Rolm, IBM's telecommunications equipment subsidiary.

The deal announced yesterday closely resembles the preliminary pact the companies announced last December. Siemens will acquire Rolm's development and manufacturing functions and will share worldwide marketing and service with IBM.

The companies declined to disclose financial terms but some analysts believe Siemens has managed to reduce the purchase price during the protracted negotiations from around $1bn to as low as $700m.

Last month Mr Hermann Franz, a Siemens board member, did say that it was well under the $1.1bn that had been speculated about in public.

The disposal marks the end of IBM's attempts to become a leading maker of private branch exchanges (PBX) and related telecommunications equipment.

Making its first big acquisition in 20 years, IBM had paid $1.5bn for Rolm in 1984. But the California company ran up large losses under IBM because of glitches in some new products, a management culture clash and intense competition particularly from the Far East.

Siemens sees its purchase of Rolm and related marketing joint ventures with IBM as a big step in its US expansion.

Negotiations took so long because "both companies were a little surprised by the complexity of the agreements," IBM said.

Mr Ralf Nitschke of Siemens in Munich said that the delay has been caused by having to work out detailed accords covering several countries.

IBM also used the time to assure its telecommunications equipment customers it was not abandoning the business, competitors said.

Ms Ellen Hancock, general manager of IBM's communications systems business, said: "This agreement responds to what customers told us they wanted – a global telecommunications strategy. Customers will have voice and data products from Rolm incorporating the proven expertise of both IBM and Siemens."

Rolm Systems, a wholly-owned Siemens subsidiary based in California, will undertake development and manufacturing. A joint venture, Rolm Company, based in Connecticut, will market and service Rolm products, Siemens' private network communications equipment and IBM computer-based voice equipment. Preliminary plans show some continuing overlap of product lines.

The Rolm deal fits into the ambitious Siemens strategy of seeking world market leadership, or close to it, in several sectors including telecommunications, computers, and power and medical engineering.

Siemens will now take over the worldwide lead in digitial PABX market share. It is a highly competitive sector with low margins but is seen as a provider of customers for other telecomunications products.

XP Systems sale boosts KLM

By Laura Raun in Amsterdam

KLM Royal Dutch Airlines more than doubled profits in the first quarter, thanks solely to the disposal of XP Systems, an express transport concern.

Net income soared to Fl 230mn ($103.6m), or Fl 4.36 a share, from Fl 105.5m, or Fl 2 a share. An extraordinary gain of Fl 125m was booked on the XP sale to TNT, the Australian transport group.

The Netherlands' flag carrier, which is 39 per cent owned by the Dutch government, said after-tax profits before extraordinary items were virtually flat at Fl 105.1m compared to Fl 105.5m. KLM's earnings normally rely on book profits, which amounted to Fl 16.8m in the first quarter, including the sale of a DC-9 aircraft.

KLM said yesterday it expected more book profits on the sale of Boeing 747-200s this fiscal year, ending on March 31 1990. Securities analysts expect around Fl 280m.

Revenue rose 11 per cent to Fl 1.64m in the April-June quarter from Fl 1.47m a year earlier. Fuel costs surged 22 per cent and financial charges jumped 60 per cent.

Operating income climbed 20 per cent to Fl 149.4m but that was pared down by a Fl 43m reserve for future tax liabilities.

KLM is expanding rapidly around the globe, having recently taken a 10 pc stake in Northwest Airlines of the US and 20 per cent of Sabena of Belgium. Now the Dutch airline is searching for an Asian partner.

● First-half earnings soared 64 per cent at Pakhoed, the Dutch transport and storage group, fuelled by the takeover of Gebr. Broere, a chemical logistics company.

Net profits jumped to Fl 42.2m in the first six months, when Broere was consolidated for the whole period, from Fl 25.7m a year earlier, when it was included for only three months. Per-share earnings climbed 39 per cent to Fl 8.25 from Fl 5.92.

Davis increases bid for UAL to $6.19bn

MR MARVIN DAVIS, the Los Angeles businessman, has increased his offer for UAL, the holding company for United Airlines, from $240 a share to $275 a share, valuing the Chicago-based group at $6.19bn, Reuter reports from Chicago.

Mr Stephen Wolf, chairman of UAL, revealed details of a letter from Mr Davis saying that, based on a further review and analysis of public information, he would be prepared to offer $275 a share for UAL common.

The higher offer was later confirmed by a spokesman for Mr Davis.

The spokesman said a review of UAL's internal data could result in a further increase of the price.

He said Mr Davis expected to be in a position by the end of next week to provide details on the financing.

UAL's chairman also said that Mr Davis was seeking to remove all the members of UAL's board except Mr Wolf through a consent solicitation of shareholders.

The move to restructure the board would reduce its size to five members including the election as new directors of Mr Marvin Davis, Mr John A. Davis, Mr Gregg J. Davis and Mr James E. Kneser.

Corfo accepts Icarosan bid for Lan Chile

By Barbara Durr in Santiago

CORFO, Chile's state holding company, has decided to accept the $42.5m bid of Icarosan, a Chilean investment company, for 51 per cent of Lan Chile, the national airline.

The privatisation has yet to be approved by Gen Augusto Pinochet, but he is expected to confirm the deal within the next few days.

Icarosan is 51 per cent owned by Mr Guillermo Carey, a Chilean financier, with the rest held by Banco Europeo para America Latina (Beal), the Belgian-Dutch consortium bank.

The company formerly held 12.5 per cent of Ladeco, Chile's private airline. It was forced to divest its Ladeco holding to acquire Lan Chile.

Scandanavian Airlines System (SAS) is to provide technical and management services to Lan Chile under the terms of the Icarosan bid. SAS, having failed to arrange a partnership with Aerolineas Argentinas, apparently has some interest in doing so with Lan Chile, but no agreement has yet been reached.

SAS previously worked with Icarosan giving technical advice to Ladeco, Lan Chile's main competitor. The losers in the auction were Lan Chile's own employees through their investment company, Aeropasur, which offered $39.3m, and Air New Zealand with the Chilean Luksic Group whose bid was $26.5m.

Electrolux up 10% midway but warns of weakening demand

By Robert Taylor in Stockholm

ELECTROLUX OF Sweden, the world's leading white goods manufacturer, reported a 10 per cent increase in profits to SKr1.99bn ($302.4m) from SKr1.81bn for the first six months. However it also said that there were signs of weakening in consumer markets during the second quarter in both the US and western Europe.

At the same time the company enjoyed a 23 per cent improvement in sales which rose to SKr44.39bn compared with SKr36.07bn for the same period of 1988.

Electrolux said demand for consumer capital goods continued well during the first six months even though there had been a weakening in both the American and European markets during the second quarter and a noticeable decline in British sales from the first quarter.

But its position strengthened in the white goods market with an 11 per cent growth in sales to SKr22.21bn from SKr20bn. There was a healthy improvement in garden equipment sales to SKr5.31bn compared with SKr2.69bn for the first six months of 1988, mainly due to Electrolux's acquisition last November of Roper, the leading US garden equipment manufacturer.

However, the company said that higher costs of labour and raw materials in Sweden, Italy and the US was beginning to affect production as well as the costs involved in the start-up of more comprehensive production projects within the white good sector had also contributed to a weakening in the second quarter.

Volume growth in the US in vacuum cleaners and leisure goods, as well as continuing production difficulties in air conditioning contributed to a worsening in results.

WHIRLPOOL, the US white goods maker, said yesterday that despite an anticipated appliance industry downturn in the second half of the year, per-share earnings estimates for the company in the range of $2.50 were "unnecessarily pessimistic," Reuter reports from Michigan.

Drug delivery systems aid Pharmacia's 13% rise

By Robert Taylor

PHARMACIA, THE Swedish pharmaceuticals and biotechnology group, saw its first half profits after financial items rise by 13 per cent to SKr506m ($76.9m) from SKr449m.

Sales also rose 13 per cent to SKr3.67bn from SKr3.25bn. Pharmacia said it expected its results for the whole of 1989 to be better than last year's performance when it enjoyed an 8 per cent rise in profits.

There was strong growth in the group's drug delivery systems with a 23 per cent increase in sales. This is becoming one of Pharmacia's biggest selling product areas.

By contrast there was a 3 per cent decline in sales in the biotechnology area. The total world market for advanced equipment for biotechnical research and production has been suffering from weak growth.

With around 20 per cent of the market share Pharamacia has been hit particularly hard. The company believes that this adverse performance is only temporary due to a fall in research grants in a number of countries.

Sales in the diagnostic area rose by 43 per cent in comparison for the same period of last year, with nearly a doubling in sales in the immunodiagnostics area.

The group had a 13 per cent improvement in its ophthalmics sales, with a continuing impressive performance in Japan, where a 40 per cent jump in sales was reported.

INTERNATIONAL COMPANIES AND FINANCE

Hang Seng Bank profit 15% ahead

By Michael Marray in Hong Kong

HANG SENG BANK, one of the dominant players in Hong Kong's retail banking sector and a subsidiary of the Hongkong and Shanghai Bank, has reported a 15 per cent increase in profits after tax and minorities to HK$556.2m ($71.3m) for the six months ended June.

The results, which are after transfers to inner reserves which under local banking laws do not have to be disclosed, were in line with market expectations, and are seen as a conservative indication of full-year profits, in spite of worries over Hong Kong's second-half economic performance in the wake of the crisis in China.

"After the events in June things are getting better," said Mr Ho Tak-Ching, who in April succeeded Sir Quo-Wei Lee as chief executive of Hang Seng Bank. Mr Ho said that residential mortgage business, in which the Hang Seng Bank has a major market share, was now picking up again after a brief lull.

Mortgage business was very strong early in the year, and Mr Ho said that loans and advances in other sectors had also registered a good growth rate during the first half.

Hang Seng Bank is currently forecasting Hong Kong's gross domestic product to grow by 4.8 per cent in real terms this year, after an increase of 7.3 per cent last year. For the whole of 1988, the bank reported a 20 per cent increase in profits, after declaring a 17.1 per cent increase at the half-way stage.

A dividend of 27 cents per share has been declared, versus 23.3 cents for the first half of 1988. Hang Seng Bank is 61 per cent owned by Hongkong and Shanghai Banking Corporation, and its 15 per cent profit increase is seen as a rough guide to the latter's own interim figures, which are due to be released next Tuesday.

Hair restorer problems will slow Lion's growth

By Robert Thomson in Tokyo

LION CORPORATION, a Japanese household and chemical products maker implicated in a much-publicised controversy over the falsification of test results on a hair restorer, has reported a 26.8 per cent increase in pre-tax profit to Y1.04bn ($7.3m) for the first half year ended June.

Sales rose 8.4 per cent to Y142.48bn, with a 17 per cent gain registered by the rubber and plastics division.

The company, however, expects that problems with the hair restorer, Medicated Pentadecan, will cost it around Y1bn in extraordinary losses for the full year.

The Health and Welfare Ministry last week ordered Lion to shut its largest pharmaceutical factory for three weeks as punishment for falsely claiming that it had conducted two years of tests on the restorer, which had a 16 per cent share of the domestic market.

Lion stopped production of the restorer at the end of May, when the allegations were first raised.

But the company expects that sales for the year will increase by 5 per cent to Y300bn, with a pre-tax profit of Y6.2bn, up 21.4 per cent.

Lion officials said that the rise in the ratio of chemical sales to total sales from 11.8 per cent to 12.7 per cent during the first half had worsened its cost-sales ratio by 0.9 per cent because of the smaller margin in chemicals.

Strong sales in US help buoy Pioneer Electronic

By Ian Rodger in Tokyo

CONSOLIDATED net income of Pioneer Electronic, the Japanese consumer electronics group, rose 22 per cent to Y5.96bn ($41.9) in the first three months to June, on sales up 15.2 per cent to Y107.6bn.

The company said: "This achievement is mainly attributed to increases in sales and to the gain brought about from the sale of shares in the affiliated company Warner-Pioneer."

Overseas sales rose 21 per cent to Y57.1bn, led by strong sales in North America of audio-visual receivers and compact disc players.

Domestic sales rose 8.9 per cent, with demand for packaged component systems and laser optical videodisc hardware helped by the abolition of luxury taxes in April.

Consolidated pre-tax profits were Y15.1bn, up 58.6 per cent.

Last week Pioneer revised sharply upwards the profit forecast for its parent company for the six months to September, due to "remarkably good sales" of its audio and car electronics products in both North America and Europe.

It now expects the parent company to show a pre-tax profit of Y16bn in the first half of its fiscal year, compared with Y10.1bn in the same period last year. Its initial forecast, made in May, saw a pre-tax profit of Y12bn in the first half.

Hongkong Electric surges 16%

By Michael Marray

HONGKONG ELECTRIC, the listed power utility which supplies electricity to Hong Kong island, has reported profits after tax and scheme of control transfers of HK$725.9m (US$93m) for the first half of 1989, an increase of 16 per cent over the same period last year.

Turnover rose 9.8 per cent to HK$1.662bn, from HK$1.477bn earlier.

Electricity sales for the first half were 4.6 per cent above last year's corresponding period, with maximum demand reaching 1,434MW. The slower rate of growth in both unit sales and maximum demand resulted from unexpectedly low temperatures and high rainfall during May and June.

The company said there were signs that rates of growth might improve in the second half of the year. Maximum demand reached a record level of 1,497MW during July.

Hongkong Electric is part of the business empire controlled by Mr Li Kashing. It operates under a government scheme which limits profits to 15 per cent of the value of fixed assets, which means that as capital investments are made profits can rise in tandem.

Work is currently proceeding on substantial new transmission and generating capacity, including the relocation of the Ap Lei Chau power station to Lamma island.

This is also making way for a residential and commercial property development project together with Cavendish International, Cheung Kong and Hutchison Whampoa, in which Hongkong Electric has a 20 per cent stake.

The first two gas turbine units were successfully commissioned at Lamma power station in May and June.

Hongkong Electric will pay an interim dividend of 23 cents per share, compared with 21 cents for the first half of last year.

INTERNATIONAL CAPITAL MARKETS

Treasuries retreat after trade data

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds initially jumped by as much as ½ point in reaction to a larger-than-expected narrowing in the US trade deficit in June, but then fell back sharply as traders examined the components of the trade release.

By midsession the Treasury's benchmark long bond

GOVERNMENT BONDS

was quoted ⅜ point lower for a yield of 8.19 per cent.

The June merchandise trade deficit narrowed to $8.17bn from $10.08bn in May. Bonds were hard hit by traders' belief that the narrower June deficit would lead to an upward revision in second-quarter GNP from the 1.7 per cent rise reported last month.

The trade figures, notably the continued growth of exports and decline in imports, provided evidence that the US economy remains robust. Bond traders appeared to see the figures as another hurdle to a further easing in monetary policy.

Economists at Griggs & Santow, bond market analysts, noted that yesterday's figures, coupled with sharply upward revisions in retail sales and business inventories in July, could mean that 0.6 to 0.7 per cent could be added to second-quarter GNP.

They also noted that weekly unemployment claims have declined for three weeks in a row, which has heightened concern about employment data for August.

Another factor hurting bonds yesterday was the belief that central banks would step into the currency market to stop the dollar's sharp rise following the trade figures. The US currency surged to a high of Y144.05 and DM1.9719 before slipping back to Y143.60 and DM1.9645 at midsession.

There were reports early yesterday that the Federal Reserve had sold dollars at DM1.9680.

Bond traders also noted that the sharp fall from early highs reflected a desire to take profits at peak levels, given that there are still some substantial long positions to be worked off after last week's Treasury quarterly refunding.

■ The German market fell sharply in thin trading yesterday afternoon as attention focused on the D-Mark's position against the dollar and rumours surfaced that the Bundesbank was hinting at higher rates.

The lower US trade deficit initially boosted the US bond market, taking German bonds briefly higher. However, when prices in New York turned round, so the Continental markets concentrated on the recent relative strength of the dollar.

Prices in the bund future dropped quickly although dealers pointed out that, with little retail interest, the mark-down reflected the sentiment of just a few players.

The September future closed at 95.09, 35 points weaker than the previous close, and further down on the opening price of 95.40.

■ Disappointment at the July inflation figures published in France was overshadowed by movements in the dollar, although French bonds reacted less than other Continental markets.

The yearly increase in inflation to July was 3.5 per cent, 0.1 point lower than June, but still higher than the market had been hoping.

But the publication of the US trade figures had more impact and caused a downturn on Matif, where the 10-year bond future ended 4 basis points lower at 109.78. The cash market fared better, so that the tap 8¼ per cent 10-year stock ended 7 centimes better at 98.58 to yield 8.33 per cent.

■ The Dutch market took on a still more negative tone, so that the spread of Dutch state loans over bunds widened out above 30 basis points. Dealers commented that if the spreads opened to around the 35 basis point mark buyers might well be attracted in.

■ The UK gilt-edged securities market passed a confusing day, with conflicting signals and readings on the direction of the domestic economy.

The unexpected downturn in average earnings took the market by surprise, and occasioned a ¼ point rise, until sober reflection watered down the positive assessment of the 9.00 per cent underlying increase.

Sterling then weakened to as low as 90.8 on the trade weighted index, before recovering slightly later. Finally, another rise in the weekly notes-in-circulation figure – a coincident indicator and hence a worrying portent of possibly more buoyant consumer growth this month – again eroded the day's earlier gains.

Overall, however, the market ended little changed. The September long gilt future closed 1/32 of a point lower at 96-30.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-11	-	10.66	10.64	10.91
		9.750	1/98	98-22	-2/32	9.98	9.96	10.26
		9.000	10/08	98-23	-1/32	9.14	9.13	9.35
US TREASURY *		9.125	5/99	105-29	-4/32	8.23	8.12	8.12
		8.875	2/19	106-29	-4/32	8.25	8.18	8.16
JAPAN	No 111	4.600	6/98	97.0413	-0.088	5.09	5.07	5.25
	No 2	5.700	3/07	106.4530	-0.200	5.01	4.99	5.03
GERMANY		7.000	2/99	101.9500	-0.150	6.70	6.65	6.70
FRANCE	BTAN	8.000	1/94	97.9488	-0.069	8.55	8.55	8.87
	OAT	8.125	5/99	98.4900	-0.040	8.34	8.32	8.60
CANADA *		10.250	12/98	105.3750	+0.450	9.37	9.43	9.41
NETHERLANDS		7.000	3/99	99.6000	-0.360	7.05	6.96	7.09
AUSTRALIA		12.000	7/99	94.5908	-0.106	12.98	13.01	13.47

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on August 17

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅜ 95	600	103⅜	103⅞	+0¼	0	8.58
Austria 9⅜ 93	140	102⅞	103⅛	+0⅛	-0¼	8.75
B.F.C.E. 7 92	150	†95⅝	96⅛	0	-0¼	8.80
B.F.C.E. 9¼ 95	150	102¼	102⅝	+0¼	-0½	8.72
Brit. Tel. Fin. 9⅜ 98	250	103⅛	103½	0	-0½	8.83
BP America 9¾ 99	250	—	—	—	—	—
Canada 9 96	1000	102⅞	103	+0⅛	-0⅜	8.44
Canadian Pac 10⅜ 93	100	*†102	103	0	+0¼	9.91
C.C.C.E 9¼ 95	300	102⅛	102½	0	-0¼	8.70
C.N.C.A 9⅜ 93	150	†101¼	101⅝	0	-0⅜	5.98
Credit National 8¾ 93	200	†98½	99	+0¼	-0¼	8.64
Credit National 7⅞ 92	100	96½	97	+0⅛	-0⅛	8.76
Credit National 9½ 92	160	101⅝	102	0	-0⅜	8.89
Dai-Ichi Kan 9⅜ 92	150	101½	102	+0⅛	-0⅛	8.94
Denmark 7⅛ 92	500	95⅞	96⅜	+0⅛	0	8.85
E.E.C. 7 91	100	96⅜	96⅞	+0⅛	-0⅛	8.65
E.E.C. 7¼ 93	250	†95⅞	96⅜	+0¼	-0⅛	8.54
E.E.C. 10 93	140	†103⅝	104	0	-0¼	8.71
Eurofima 10¼ 93	100	†104½	104⅞	+0⅜	-0⅛	8.54
Elec.De France 9 98	200	101¼	101¾	+0⅛	-0⅜	8.73
Elec. De France 9½ 99	200	104	104¼	+0⅛	-0⅜	8.83
Finland 9 96	250	101⅜	101⅞	+0⅛	-0⅜	8.66
Finn.Exp.Cd. 8½ 92	200	99	99½	+0⅛	-0¼	8.80
Finn. Exp. Cd. 9⅜ 95	200	102⅛	102⅝	+0¼	-0¾	8.85
Finn. Exp.Cred.10⅝ 91	100	101⅞	102⅝	+0⅛	-0⅛	9.04
Ford Motor Credit 8 91	250	†98	98½	0	-0¼	9.17
Gen.Elec.Cap.Corp. 9 93	500	†100⅝	101⅛	0	-0¼	8.72
Gen.Elec.Cap.Crp.10 1/2 91	300	101¾	102⅜	0	-0⅜	9.02
G.M.A.C. 9 96	300	99⅜	99⅞	0	-0⅜	9.07
Gen.Mtrs.Corp. 9⅛ 92	200	100⅜	100¾	0	-0⅛	8.91
IBM Credit Corp. 8⅞ 91	250	100⅛	100⅝	+0⅛	-0⅜	8.65
IBM Credit Corp. 9 92	250	101⅜	102	0	-0⅜	8.34
IBM Credit Corp. 9½ 92	250	101¼	101¾	-0¼	-0⅝	8.76
IBM Credit Corp. 10 92	200	103	103⅜	-0¼	-0⅜	8.63
Italy 9½ 95	1000	103⅝	104⅛	+0⅛	0	8.65
Italy 9⅝ 99	1000	104⅝	105	+0¼	-0⅜	8.83
Itoh C. W/W 4⅝ 94	1000	101⅞	102⅝	0	+0⅝	4.10
Japan Dev. Bank 10 96	200	—	—	—	—	—
L.T.C.B.of Japan 9¼ 92	200	100½	101	+0⅛	0	8.95
Metropolis Tokyo 9½ 93	200	101¼	102⅜	+0⅛	-0⅜	8.76
Nippon Tel.&Tel. 9⅜ 98	250	103¼	103⅝	+0⅜	-0⅜	8.81
Norway 8⅞ 93	500	100⅛	100⅞	+0⅛	-0⅜	8.59
Portugal 8½ 91	300	†98⅛	98⅝	+0⅛	-0¼	9.33
Prudential Crp. 8¾ 94	125	100	100½	+0⅛	0	8.68
Sumitomo Bank 9⅝ 92	150	†101⅜	101⅞	+0¼	-0¼	8.99
Sumitomo Corp. W/W 4 93	1500	103⅞	104⅝	+0⅛	+0¼	2.82
Sweden 7 91	250	96⅛	97	0	-0¼	8.78
Sweden 8¾ 96	200	100	100⅜	+0⅛	-0½	8.68
Sweden 8½ 92	200	†98¾	99¼	0	-0¼	8.89
Toyota 9½ 91	200	101⅛	101⅞	+0⅜	0	8.66
Toyota Mtr.Corp. W/W 4 93	1500	103½	104¼	+0½	+0⅝	2.91
Victorian Rep 11⅛ 92	150	105¾	106⅜	0	-0⅜	8.98
World Bank 7 92	300	†96¼	96¾	+0⅛	-0⅜	8.61
World Bank 9 97	300	101½	102	0	-0½	8.69
World Bank 9 93	300	101¼	101⅝	+0¼	-0⅜	8.56
World Bank 9¼ 98	300	102¾	103¼	0	-0½	8.75
World Bank 9⅝ 99	500	105¼	105⅝	+0½	0	8.73
World Bank 9¾ 96	300	105	105⅜	+0⅛	-0½	8.70

Average price change... On day +0⅛ on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	96½	97⅛	+0⅛	+0⅛	6.73
Austria 6¾ 99	750	99⅛	99¼	0	-0¼	6.87
Bank of Tokyo 5¾ 93	100	96	96½	0	-1	6.97
Commerzbank o/s. 5¾ 93	300	95¼	95¾	0	-0½	6.89
Credit Foncier 6⅞ 99	500	99	99⅛	-0⅛	-0⅛	7.87
E.I.B 5½ 98	150	91⅝	92¼	0	-0¼	6.76
E.I.B. 6¼ 99	600	95½	96¼	0	-0⅛	6.85
E I.B 6¼ 96	300	96½	97¼	0	-0¼	6.70
E.I.B. 6½ 99	300	96¾	97⅝	0	-0⅜	6.89
E.I B. 6¾ 95	300	99¾	100½	0	-0⅜	6.84
Euro Coal& Steel 5¾ 97	175	93⅞	94½	0	0	6.87
Eurofima 6¼ 96	100	96⅝	97¼	0	-0¼	6.81
Elec De France 5¾ 97	300	94⅛	94⅞	-0⅛	+0¼	6.67
Hydro-Quebec 6¾ 99	300	99⅛	99¼	-0⅛	-0¼	6.87
Japan Dev. Bk. 5⅜ 95	300	93⅛	93⅞	0	0	6.78
Japan Finance 5¾ 97	100	92⅝	93¼	-0¼	-0¼	6.99
I.A.D.B. 7¼ 99	300	102⅛	102⅜	+0⅛	-0⅛	6.92
Ireland 6½ 97	300	96⅝	97⅛	-0⅛	-0⅛	7.03
Ireland 7¼ 99	500	100⅞	101⅛	0	-0⅛	7.10
Malaysia 6¼ 94	150	96⅜	97⅛	-0¼	-0¼	7.06
Nat. West BK. PLC 6 98	300	94⅛	95	+0¼	+0⅝	6.83
N.H.L. Finance 6¼ 95	200	†96¼	96¾	0	0	6.95
Nippon Telg &Tel. 6 95	400	97⅞	98⅝	-0⅛	-0¼	6.21
Oesters. Kontbk. 5 93	300	94¾	95	0	-0¼	6.78
Portugal 5¾ 92	150	97	97¾	-0⅛	-0¼	6.76
Portugal 6⅝ 95	150	100⅞	101¼	+0⅛	+0⅜	6.47
Privatbanken 5¾ 93	150	94⅞	95⅛	+0¼	+0⅝	6.96
Royal Insurance 5½ 92	300	96¼	96¾	0	0	6.98
Turkey 6½ 95	500	95¼	96	-0⅛	+0¼	7.46
Union Bk.Finland 5½ 94	200	94⅞	95½	0	0	6.77
World Bank 6 98	500	†94½	94⅞	+0⅛	-0⅛	6.80
World BK. 6¼ 97	600	96⅞	97½	0	-0¼	6.93
World Bank 6¾ 99	600	99⅛	99¼	-0⅛	-0¼	6.87

Average price change... On day 0 on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk 5 96	150	†95	95½	0	0	5.85
Asfinag 5 03	100	†91½	92¼	0	-0½	5.85
B F.C.E. 4½ 98	200	†93	93½	-0⅜	-0¼	5.48
B.M W.Fin.Neth. 5 13	150	†88¼	88½	0	0	5.92
Britannia B/S 4¼ 94	100	†90½	91½	+0½	0	6.48
CIR Int. W/W 3 93	125	†94	95	0	-2	4.56
Credit Lyonnais 4¾ 00	100	†90	90½	-0¼	-0¼	6.00
E I.B 4⅝ 98	150	†92	92½	+0⅛	-0⅛	5.77
Fletcher Chall. 4¾ 98	150	†85½	86	+0¼	+0½	7.13
Kobe City 4⅞ 98	150	†92¼	92¾	-0¼	+0¼	5.72
Leeds Perm. B/S. 4⅛ 93	200	†91½	93	-0¾	-1¼	6.57
Malaysia 5¼ 98	100	†90½	91½	+0½	+0¼	6.62
Maxwell Comm.Crp. 5 95	150	†89¼	89½	-0⅝	-0⅞	7.30
Nat Bk Hungary 5½ 94	75	†93	93½	0	0	7.05
Nationwide Ang.B/S. 4 93	200	†92	92¼	0	-0¼	6.30
Nippon Telg.&Tel 4¼ 95	200	†95	95¼	0	+1¼	5.21
Oesters Ktbk 5 03	75	†95	95¼	0	-0½	5.51
Prov. Newfoundland 5 03	150	†92¾	93½	-0⅛	-1	5.71
Thailand 4⅝ 95	200	†93	94½	0	-1½	5.91
World Bank 5 03	150	†92¼	93	+0⅛	0	5.78

Average price change... On day -0⅛ on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101¼	101½	0	0	5.13
Canada 5⅝ 93	80	101⅜	101⅞	-0⅛	-0⅛	5.12
Eurofima 5 1995	20	98⅞	99⅜	0	+0⅛	5.18
E.I.B. 4⅞ 93	30	99	99¼	0	0	5.14
Ireland 5⅛ 93	30	99½	100	0	0	5.19
Norway 5⅛ 95	50	100	100¼	0	0	5.09
Sweden 4⅝ 93	50	98⅛	98⅝	0	+0¼	5.11
World Bank 5⅛ 98	10	98⅝	99⅛	0	+0⅛	5.29
World Bank 7 94	20	107⅛	107⅝	0	0	5.18

Average price change... On day 0 on week +0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 11⅝ 95 £	100	99⅛	99⅝	+0⅛	-0⅛	11.74
Aegon 7¾ 92 FL	100	101⅝	102⅛	-0⅛	-0¼	7.75
Alg. Bk. Ned. 5¾ 93 FL	200	95⅝	96⅛	0	-0¼	7.08
Austria 7½ 94 ECU	100	†96⅛	96⅝	0	+0⅜	8.46
Bk.Nova Scot.14⅞ 90 A$	75	†96¼	97¼	0	+1¼	17.24
Barclays Aus.13½ 91 A$	100	96¼	96⅝	0	-0¼	15.52
Belgium 8⅛ 94 Ecu	150	97⅞	98⅜	+0⅛	0	8.62
BP Capital 9¾ 93 £	100	94¾	95¼	+0⅛	+0¼	11.46
British Airways 10 98 £	100	94¼	94½	0	+0⅜	11.05
Brit. Telecom 9½ 93 £	150	94¾	95¼	+0⅛	0	11.23
Comm.Bk.Aust. 12⅝ 93A$	100	†94¾	95¼	+0⅛	+0⅝	14.38
CrLocalFrance 9¼ 92Ecu	100	†102⅛	102⅝	+0¼	+0⅜	8.25
Deut. Bk.Aus. 13⅛ 93 A$	125	97⅞	98⅜	-0⅜	-0⅛	13.97
Deutsche Bk.Fin. 15 94 A$	100	103⅜	103¾	+0¼	+0¼	13.87
Eastman Kodak 13 90 A$	100	96⅛	96⅝	0	0	17.14
E.I.B. 7 96 LFr	100	†97	98	+0⅛	0	7.49
E.I.B. 9 99 Ecu	150	†103	103½	+0⅛	+0⅜	8.48
Eurofima 7⅜ 94 Ecu	100	97⅛	97½	0	-0¼	8.37
Export Dv.Crp.8¾ 92Ecu	100	100⅜	101¼	+0⅛	-0¼	8.29
Fed. Bus.Dv.Bk. 9 94 Ecu	100	†101¼	101¾	+0½	+0¼	8.60
Fed.Bus.Dv.Bk.9¼ 92 C$	75	†98½	99	+0⅜	+0¼	10.25
Fed.Bus.Dv.Bk.10½ 93C$	50	†100½	101	+0⅜	-0⅜	10.24
Ferrv. Stato 7¾ 93 Ecu	100	97	97⅝	0	+0⅛	8.61
Ford Cr.Can.10¾ 93 C$	100	†100¼	100¾	+0⅜	-0¼	10.52
Ford Cred.Can.10⅞ 96C$	125	102⅛	102⅝	-0¼	-0⅝	10.33
Ford Cred.Fund.10¼ 93£	60	97½	98	+0¼	+0¼	11.42
Ford Mtr.Cred.7⅞ 93Ecu	100	†97⅞	97⅞	+0⅛	0	8.67
G.M.A.C.Canada 11 3/4 94C$	100	104⅛	104⅝	+0¼	+0⅛	10.48
Heineken 7⅝ 94 FL	150	103	103½	-0⅛	-0⅛	7.51
Hydro-Quebec 11 99 C$	400	104	104¼	0	-0⅜	10.28
Lloyds Bank 10¼ 98 £	150	94⅝	95¼	+0⅛	+0⅝	11.19
Lloyds Bank 11⅜ 98 £	100	97⅝	98¼	+0⅛	+0¼	11.71
Montreal Tst.10⅜ 93 C$	100	†99⅞	100⅜	+0½	0	10.69
Morgan Guar.Tst. 11 91 C$	150	†99⅝	100⅛	-0⅛	-0⅜	10.99
Nat. Aus. Bk. 14¼ 94A$	100	100	100½	0	+0⅛	14.59
New Zealand 9½ 93 £	100	93⅝	94⅛	+0⅛	0	11.59
Philips Gleoil. 6 93 FL	300	96¾	97⅜	-0¼	+0⅛	6.89
Privatbanken 7½ 94 LFr	500	†98	99	+0¼	0	7.89
Royal Bk.Scot.10⅝ 98 £	125	97	97½	+0¼	+0⅝	11.16
Saskatchewan 9⅞ 91 C$	150	†98⅜	98⅞	+0⅝	+0⅛	10.68
Saskatchewan 10¼ 93 C$	200	99⅞	100	0	-0⅜	10.34
State Bk.NSW. 13⅞ 93A$	100	97⅛	97⅝	0	0	14.68
Sweden 7½ 93 Ecu	250	97⅛	97⅝	-0⅛	-0¼	8.24
Sweden 15 94 A$	100	103⅜	103⅞	0	-0⅜	13.81
Toyota Mtr.Cr.11⅜ 92C$	150	101⅞	102⅜	+0¼	0	10.41
World Bank 13⅜ 92 A$	100	99⅜	99¾	-0¼	-0¼	13.57
World Bank 14 94 NZ$	75	105½	106¼	+0⅜	0	12.16
Zentrspk. 13¼ 93 A$	75	†97¼	97¾	0	-0¼	14.06

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	100.01	100.06	24/10	14.08
Bank of Greece 99 US$	0¼	99.59	99.70	8/09	10.62
Belgium 91 US	0	100.22	100.32	21/08	9.94
Chelt.& Gloucester 94 £	.063	99.94	99.99	30/08	14.06
Credit Foncier 98 US	.063	100.06	100.24	20/10	10.16
Dresdner Finance 99 DM	.031	99.93	100.03	30/10	6.97
EEC 3 92 DM	0	100.45	100.55	22/08	5.63
Halifax BS 94 £	.1	100.11	100.16	9/11	13.97
Invt. in Industry 94 £	0¼	100.09	100.19	24/08	14.06
Leeds Perm. B/S. 94 £	0⅛	100.21	100.26	13/10	14.06
Midland Bank 01 £	.1	98.43	98.77	7/11	13.91
Milk Mkt. Brd. 5 93 £	0⅛	99.98	100.03	29/09	14.31
New Zealand 5 97 £	.07	100.00	100.10	22/08	13.19
State Bk. Nsw. 98 US$	.188	100.34	100.44	11/02	8.81
Woolwich Equit.BS. 93 £	0⅛	100.25	100.29	13/10	14.06
Woolwich 5 95 £	0⅛	100.06	100.10	22/08	13¼

Average price change... On day 0.00 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	18/87	62.	121¼	122¼	+1	3.64
Amer. Brands 7¼ 02 US	9/87	56.7	133⅝	134⅝	+0¼	-1.24
CBS. Inc. 5 02 US	4/87	200.	106⅞	107⅞	-0⅞	2.26
Primerica 5½ 02 US	4/87	66.75	75¼	76¼	-0⅛	87.27
Eng.China Clay 6½ 03 £	9/88	4.8	105⅝	106⅝	0	5.03
Fujitsu 3 99 US	5/84	1106.	241	242	-0⅝	-0.93
Ladbroke 5¾ 04 £	6/89	7.1	103½	104½	+0⅛	126.23
Land Secs. 6¾ 02 £	6/87	6.72	96⅞	97⅞	+0⅛	9.79
Minolta Camera 2¼ 94DM	2/86	1004.	118½	112½	+0⅞	8.89
MCA Inc 5⅛ 02 US	9/87	69.62	107	108	0	10.88
Mitsubishi Bk. 3½ 04US	5/89	3266.	96	97	-0¼	3.69
Next Plc 5¾ 03 £	11/87	4.3	101⅛	102⅛	+0¼	222.10
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	123	124	+1	1.32
Duncan Tateld 2¼ 02 US	4/87	1310.	280⅝	281⅝	-0⅛	0.11
Ranks Hovis 4¾ 03 £	1/88	3.5	127	128	+0⅛	-3.41
Redland 7¼ 02 £	1/87	5.4	107⅛	108⅛	-0⅛	1.49
Saatchi&Stchi 6¾ 03 £	10/89	4.41	95	96	0	33.70
Silicon Graphics 8 04 US	6/89	23.18	100	101	+0¼	15.73
Sumitomo Bank 3¾ 04 US	2/89	4296.	91¼	92½	-0¼	14.06
Texas Inst. 2¾ 02 US	9/87	82.87	76½	77½	-0¼	65.19
Utd.N'papers 8 04 £	10/89	8.77	115¼	116¼	+2	102.91
W.R. Grace 6¾ 02 US	9/87	42.12	97⅞	98⅞	+0⅞	17.41

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Study backs higher junk bond yields

By Norma Cohen

INVESTORS in high-yielding junk bonds do not receive a sufficiently high enough return to compensate them for the high rate of defaults, according to a new study on junk bond performance.

The study, conducted by the Bond Investors Association, a group based in Miami, Florida, concluded that the 4 per cent premium over US Treasury yields, commonly cited as appropriate for junk bonds, should rise to 7 per cent to compensate for default risks.

Junk bond yields in the US have risen sharply in the first half of this year and are now about 5½ per cent over those on comparable maturity US Treasuries.

The group said it reached its conclusions after completing a study on the incidence of default rates among US corporate bonds since 1980. Of approximately 631 bond issues which have defaulted since 1980, $21.1bn or 70.1 per cent were non-investment grade junk bonds.

The study estimates that this figure represents a default rate of about 11.2 per cent – a significantly higher default rate than that found in other recent studies of junk bond performance.

Unlike previous analysis of the junk bond market, the Bond Investors Association's study attempted to compute the weighted average settlement received by investors on defaulted bonds. This has been calculated at 49.6 cents on the dollar.

Defaults on investment grade bonds, meanwhile, have totalled about $9bn since 1980. However, the study notes, because this market is so much larger than the junk bond market the default rate overall is only about 1 per cent.

Hungarian unit of Citicorp to lead buy-out

By Our Financial Staff

CITIBANK BUDAPEST, a Hungarian subsidiary of Citicorp of the US, has signed an agreement in Budapest for the completion of a management and employee buy-out of Apisz, the state-owned wholesale stationery supplier.

Citibank Budapest will lead a syndicate of investors comprising senior and middle management, employees and the Berger family, a leading Austrian stationery supplier.

The syndicate will acquire the assets and business of Apisz for 700m forints ($11.5m). Citicorp will retain a stake of just over one third in the company.

Citicorp said that Apisz had annual sales of 5bn forints.

INTERNATIONAL CAPITAL MARKETS

Good swap rates trigger two issues in C$ sector

By Andrew Freeman

FAVOURABLE SWAP rates in the Canadian dollar sector encouraged two further new issues on the Eurobond market yesterday, but otherwise trading was light against the background of the US trade figures.

Wood Gundy brought a C$150m seven-year unswapped deal for Société Québec Assainissement des Eaux. The bonds offered a 10¾ per cent coupon and were priced at 101⅛ to yield around 68 basis points over the equivalent Canadian government issue.

The deal, expected since a roadshow by the borrower several weeks ago, made good early sales before US trade figures caused an unexpected reverse on the US bond markets and dragged the Canadian market down. By the end of European trading the Canadian seven-year Treasury was more than ½ point down on the day.

Not surprisingly, this reversed the early fortunes of the Quebec deal, and the bonds were trading ¼ point outside fees at less 2⅛ bid. However, the spread against government bonds had narrowed to around 62 basis points. Dealers said the deal was a few basis points too tight in price terms at launch and suggested the deal might languish a little in an unexciting market.

The same was true for a C$100m eight-year issue launched for WestLB Finance (Curacao) by WestLB. The bonds offered a 10⅛ per cent coupon and a yield over government bonds of 61 basis points. A launch time about half an hour before the US trade data gave little time for sales before the bond markets went into reverse.

INTERNATIONAL BONDS

Traders said the launch spread was much too tight, but added that the deal would eventually be placed in retail accounts by the lead manager. WestLB was supporting the paper at less 2 bid, on full fees.

The proceeds were swapped into floating-rate dollars.

A SKr300m issue was brought for Great Belt Link, the special-purpose company which is designing, constructing and will operate the road and rail link between Sjaelland and Funen. Sparekassen SDS, the lead manager, reported a good reception.

The bonds carried the guarantee of Denmark and came with an 11½ per cent coupon. The lead manager hopes the issue will be the first Eurokrone deal to be listed in Stockholm.

The paper met good retail demand from Scandinavian investors and was quoted by the lead manager at less 1⅞ bid, inside full fees of 1⅞ per cent. Proceeds were swapped into fixed-rate Danish krone.

The New Zealand $500m deal launched on Wednesday by Morgan Stanley traded as high as 100.15 bid early on, before edging back to 99.80 bid, a good performance against the benchmark US Treasury which fell by ⅝ point.

Nikko brought a $200m deal with equity warrants for Daido Steel with an indicated coupon of 4¾ per cent. The paper was trading at 103⅛ bid, a premium to the par issue price.

In Switzerland, terms were fixed by Nomura on the SFr40m convertible deal for Kawasumi Laboratories. The bonds rose sharply by 1⅞ points to 102 bid amid good demand, against the background of a strong performance by the Tokyo equity market. Many Japanese convertible and equity-linked deals put in good performances.

In Germany, prices of recent new issues were mixed early on, before falling after the US trade figures to end about 10 or 15 pfennigs lower. Turnover was light, with dealers reporting slight selling pressure in the afternoon.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
CANADIAN DOLLARS						
Soc. Quebec Ass.des Eaux(b)♦	150	10¾	101⅛	1996	1⅞/1¼	Wood Gundy
WestLB Finance(Curacao)(b)♦	100	10⅛	101¼	1997	2/1⅛	WestLB
US DOLLARS						
Daido Steel Co.‡	200	(4¾)	100	1994	2¼/1½	Nikko Secs.(Europe)
Toyomenka (UK)‡★♦	10	8	100¼	1993	n/a	Tokai International
Asahi Breweries(a)♦	1bn	3⅝	100	1993	2¼/1½	Nomura Int.
SWEDISH KRONA						
Great Belt Link(b)♦	300	11½	101⅞	1994	1⅞/1¼	Sparekassen SDS
SWISS FRANCS						
Kawasumi Laboratories(c)‡★♦	40	⅞	100	1994	1⅞	Nomura Bank(Switzerland)

♦Private placement. ‡With equity warrants. §Convertible. ♦Final terms. a) Coupon cut by ⅛% from indication. b) Non-callable. c) Coupon cut by ⅛% from indication. Yield to put 3.801% (indicated 4.148%).

Malaysian bank launches trust fund

ARAB-MALAYSIAN Merchant Bank has launched a 135m ringgit ($50.5m) property trust fund to be listed on the Kuala Lumpur Stock Exchange in September, Reuter reports from Kuala Lumpur.

Mr Malek Merican, a bank director, said the fund would comprise 135m units at 1 ringgit each.

The move was announced after the bank received government approval for the sale for 130m ringgit of its Kuala Lumpur headquarters building to its subsidiary Arab-Malaysian First Property Trust, which is also the trust fund's manager.

Mr Malek said the property transfer would be financed by cash payment of 80m ringgit and the issue of 50m 1 ringgit trust units.

Hesse in head-hunt for an image builder

Haig Simonian on the search for a high-profile president for the state's central bank

LIKE a magnet, West Germany's Bundesbank draws publicity. But this often comes at the expense of the 11 Landeszentralbanken (state central banks) which act on its behalf throughout Germany.

None suffers more under its parent's shadow than the Landeszentralbank Hesse (LZB), the Frankfurt-based bank which represents the Bundesbank in Germany's fifth most populous state.

In spite of its location in the country's financial capital, the Hesse bank's biggest coup in recent years has been its move to an impressive new post-modern headquarters rather than any key policy-making pronouncements.

But matters may be about to change. The past two months have seen an unprecedented carousel of speculation about a successor to Mr Alfred Härtl, the bank's current long-serving president who will step down next February.

Moreover, the signs are that whoever steps into his shoes will be expected to adopt a considerably higher profile on behalf of Frankfurt as a financial centre.

The relative obscurity of the LZB is surprising given its dominant role in the German monetary system, which in some ways mirrors that of the Federal Reserve Bank in New York, compared with the Bundesbank's likeness to the Washington Fed.

While not responsible for exchange-rate policy – that is reserved for the Bundesbank itself – the LZB has plenty on its plate. Although neither the biggest nor the most populous state in Germany, Hesse is unrivalled when it comes to finance.

About 166 domestic banks are based in Frankfurt, along with 77 foreign bank branches, 57 branches of German banks and 138 foreign bank representative offices. Banking accounts for about 20 per cent of the city's economy, putting it on a par with manufacturing or transport and trade.

Frankfurt is a focal point for payments clearing, money markets and the securities business, all of which are reflected in the LZB's operations. In 1988 it cleared an average DM286bn ($147bn) each working day – some 90 per cent of clearing business in Germany as a whole. On busy days the total can rise to more than DM700bn.

With teams of messengers from 133 participating banks streaming into its high-security banking hall three times a day, the LZB clears more than DM70,000bn a year.

The bank is also responsible for one fifth of Germany's total volume in bills of exchange – a figure surpassed only by the central bank in the much bigger and more populous state of North Rhine Westphalia – and some 30 per cent of total volume in securities repurchase agreements, now running at about DM80bn to DM90bn a year.

Meanwhile, the bank's supervisory division works on behalf of the Berlin-based federal bank supervisory office to collate the regular reports filed by the city's banks, with which it also discusses regulatory issues.

Why then is the Hesse bank so little known, especially abroad?

With the Bundesbank just a stone's throw away, LZB officials have certainly been less inclined to go out on a limb than some of their more distant counterparts in other Landeszentralbanken.

Mr Härtl's own character has played an important part. Unlike some better-known counterparts – such as Mr Lothar Müller, Mr Norbert Kloten or Mr Wilhelm Nölling, the heads of the state central banks in Bavaria, Baden-Württemberg and Hamburg respectively – Mr Härtl has concentrated more on behind-the-scenes developments rather than openly promoting himself or his bank.

With financial markets having changed out of all recognition since his appointment in 1973 and competition between international financial centres becoming increasingly acute, his successor may require somewhat different qualities.

Moreover, the local political climate has also changed, with a centre-right state government replacing the Socialists who originally appointed Mr Härtl in 1973.

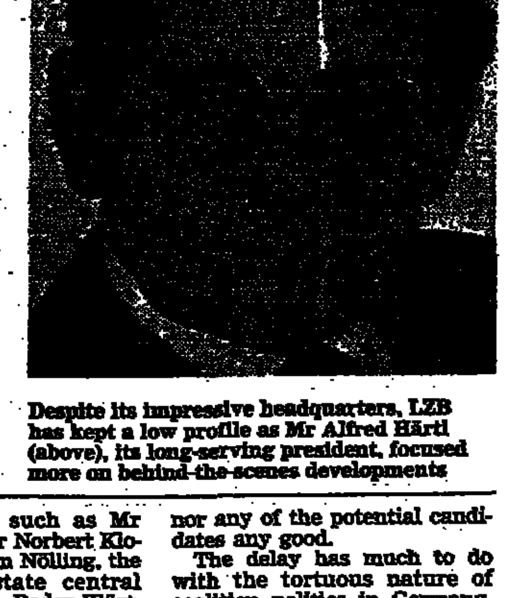
Thus while stressing the need for financial expertise, the signs are that the current coalition of Free Democrats and Christian Democrats ruling Hesse is looking for someone who will make more of the Frankfurt LZB post.

However, finding a person who fills the right political and financial bill has been proving extremely difficult. The delay in naming a successor to Mr Härtl, who will retire early at 64, has triggered a wave of speculation which has done neither the state government nor any of the potential candidates any good.

The delay has much to do with the tortuous nature of coalition politics in Germany. The choice of Landeszentralbanken presidents rests with state governments, rather than the Bundesbank. In the case of Hesse, the signs are that the FDP, and notably Mr Alfred Schmidt, its Economics Minister, has gained the upper hand in nominating a successor.

But, as recent weeks have shown, suitable candidates who are also members of the FDP are hard to find. Among the names mentioned are Mr Karl Thomas, the likeable and well-respected head of the Bundesbank's credit and capital markets division, and Mr Gerd Häusler, who used to be the personal assistant to Mr Karl Otto Pöhl, the Bundesbank president, before being put in charge of a newly created department on international capital markets.

Another possibility is Mr Rüdiger von Rosen, who was also an assistant to Mr Pöhl before becoming the Bundesbank's public relations boss and later moving on to run the Federation of German Stock Exchanges. Meanwhile, Mr Bernd Lüthje, a senior executive at Westdeutsche Landesbank, remains something of a dark horse.



Despite its impressive headquarters, LZB has kept a low profile as Mr Alfred Härtl (above), its long-serving president, focused more on behind-the-scenes developments

The recent speculation has helped none of those involved, probably least of all Mr Häusler who, at just 38, is junior to Mr Thomas in the Bundesbank's pecking order. But his boss's own cause has hardly been advanced after news slipped out that someone junior to him was also in the running for the job.

With foreign banks still piling into Frankfurt and the securities business steadily gaining in importance, age, experience and international familiarity may argue in favour of Mr von Rosen. However, a variety of factors, including his patchy record so far in trying to get Germany's eight stock exchanges to work together more closely, has won him few friends.

Mr Thomas may have had the edge in view of his reputation as a modest and highly competent central banker who has helped open up the country's capital markets since taking over his present job in 1984. However, clumsy handling of the press and, at 60, age may count against him.

Thus, officially, the field is still wide open. But according to one LZB official: "The state government is now under pressure to start hitting nails on the head." Certainly, the job would normally have been filled weeks ago.

Earlier this month Mr Walter Wallmann, the Prime Minister of Hesse, tried to put a lid on matters by saying a suitably qualified successor would be announced after the summer holidays in September.

The state government may yet surprise the financial community by pulling a totally unexpected name out of the hat. Some private-sector bankers may be interested in taking over the LZB, although the salary of between DM300,000 and DM330,000 would be unappealing to most.

The only safe verdict so far is that the delay, and the political horse-trading that has already taken place behind the scenes, has done little to elevate what should be one of the most prominent jobs in German finance.

And the political shenanigans so far have proved that when it comes to decision-making in financial policy, state governments seem to be little better equipped than their federal counterparts in Bonn.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Thursday August 17 1989: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Aug 16: Index No.	Tue Aug 15: Index No.	Mon Aug 14: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (207)	1007.75	+0.5	10.67	4.03	11.50	20.88	1002.66	999.69	1001.05	806.76
2	Building Materials (29)	1209.79	-0.1	12.39	4.40	10.05	26.47	1211.26	1216.34	1219.10	1028.72
3	Contracting, Construction (37)	1606.25	+0.1	14.86	4.45	8.79	33.67	1604.35	1595.79	1597.77	1606.18
4	Electricals (9)	3013.90	+0.6	7.76	3.83	15.94	52.79	2994.51	2993.56	2970.32	2159.28
5	Electronics (30)	2272.32	+0.4	8.55	3.30	15.15	47.99	2263.42	2259.92	2261.65	1761.94
6	Mechanical Engineering (56)	547.98	+0.3	9.86	4.04	12.38	10.58	546.13	542.00	542.65	424.64
8	Metals and Metal Forming (6)	522.43	+0.9	19.63	5.74	5.61	14.84	518.01	516.24	517.40	484.62
9	Motors (17)	368.85	+1.6	10.41	4.18	11.24	8.25	362.97	359.13	359.05	281.39
10	Other Industrial Materials (23)	1854.46	+1.0	8.42	3.78	14.18	34.02	1835.55	1829.71	1837.03	1317.22
21	CONSUMER GROUP (186)	1361.60	+0.4	8.00	3.14	15.69	22.10	1356.37	1341.43	1338.60	1093.85
22	Brewers and Distillers (22)	1552.94	+0.5	8.58	3.15	14.58	25.65	1545.74	1515.65	1513.70	1132.33
25	Food Manufacturing (20)	1194.45	+0.5	8.46	3.50	14.80	21.04	1188.35	1174.98	1172.91	973.78
26	Food Retailing (14)	2638.54	+0.6	7.57	2.61	17.46	38.37	2623.83	2600.11	2583.65	1970.77
27	Health and Household (14)	2496.19	+0.3	5.89	1.65	20.02	22.32	2488.04	2457.59	2465.47	1826.68
29	Leisure (33)	1774.22	+0.2	7.10	3.15	17.47	31.23	1771.36	1751.95	1745.66	1375.33
31	Packaging & Paper (15)	617.89	......	9.49	4.01	13.31	9.63	617.90	611.71	612.20	526.50
32	Publishing & Printing (19)	3874.28	+0.4	8.20	4.30	15.71	88.95	3858.78	3843.04	3839.45	3535.40
34	Stores (34)	878.43	+0.5	10.00	4.15	13.05	17.02	873.62	869.40	864.97	818.22
35	Textiles (15)	570.76	-0.7	10.40	5.09	11.43	15.36	574.74	570.43	561.54	593.81
40	OTHER GROUPS (93)	1210.67	+0.7	9.54	3.94	12.75	23.13	1202.18	1195.47	1197.44	893.37
41	Agencies (17)	1620.11	......	6.56	2.18	18.84	22.79	1620.36	1594.65	1582.18	1096.83
42	Chemicals (22)	1334.52	+0.1	11.12	4.64	10.60	40.83	1333.50	1331.67	1338.98	1050.37
43	Conglomerates (13)	1792.82	+0.4	9.54	4.55	12.33	28.35	1786.56	1776.13	1804.46	1214.89
45	Transport (13)	2463.02	+0.5	8.51	3.67	15.26	40.89	2450.79	2433.02	2435.91	1944.18
47	Telephone Networks (2)	1125.10	+2.7	10.90	4.41	11.96	22.38	1095.14	1089.83	1096.11	953.42
48	Miscellaneous (26)	1948.21	-0.3	8.41	3.08	13.49	29.04	1954.31	1945.16	1915.32	1203.19
49	INDUSTRIAL GROUP (486)	1246.03	+0.5	9.15	3.60	13.50	22.74	1239.72	1230.63	1230.49	976.96
51	Oil & Gas (14)	2188.12	+0.1	9.79	5.12	13.55	73.67	2185.29	2170.25	2169.56	1792.69
59	500 SHARE INDEX (500)	1326.39	+0.5	9.23	3.80	13.50	26.89	1320.31	1310.71	1310.52	1046.26
61	FINANCIAL GROUP (123)	800.16	+0.9	–	5.10	–	23.03	792.88	786.56	785.36	702.02
62	Banks (9)	806.40	+1.7	21.43	6.19	6.13	33.83	793.01	780.47	778.23	665.54
65	Insurance (Life) (8)	1199.43	......	–	4.99	–	29.86	1198.73	1189.50	1190.22	1063.90
66	Insurance (Composite) (7)	631.12	+0.6	–	5.81	–	18.82	627.57	625.51	625.36	541.98
67	Insurance (Brokers) (7)	942.83	-0.3	8.01	6.58	16.80	31.89	945.20	935.48	934.04	983.69
68	Merchant Banks (10)	371.04	+0.5	–	4.27	–	7.36	369.34	368.56	366.77	360.51
69	Property (51)	1393.64	+0.9	6.12	2.82	20.80	18.67	1381.87	1377.20	1375.62	1222.48
70	Other Financial (31)	375.68	+0.3	10.72	5.82	12.01	9.83	374.66	375.21	374.94	379.81
71	Investment Trusts (69)	1267.84	+0.3	–	2.63	–	16.93	1264.60	1259.38	1253.77	908.42
81	Mining Finance (1)	718.54	+0.4	8.32	3.57	13.33	15.84	715.98	713.41	712.13	522.35
91	Overseas Traders (8)	1414.27	+0.3	9.84	5.02	11.60	43.33	1409.75	1391.33	1388.21	1175.01
99	ALL-SHARE INDEX (701)	1198.30	+0.5	–	3.96	–	25.67	1192.13	1183.44	1182.81	956.78

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 16	Aug 15	Aug 14	Aug 11	Aug 10	Year ago
FT-SE 100 SHARE INDEX‡	2360.0	+14.2	2374.8	2356.8	2345.8	2326.2	2325.9	2354.2	2347.3	1833.9

FIXED INTEREST

	PRICE INDICES	Thu Aug 17	Day's change %	Wed Aug 16	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.67	+0.08	118.58	–	7.80
2	5-15 years	135.12	+0.09	135.01	–	8.64
3	Over 15 years	148.04	+0.08	147.92	–	7.97
4	Irredeemables	170.68	+0.50	169.82	–	7.32
5	All stocks	132.66	+0.09	132.54	–	8.39
	Index-Linked					
6	5 years	140.91	+0.19	141.62	0.90	2.26
7	Over 5 years	139.96	+0.19	139.70	–	2.50
8	All stocks	139.91	+0.19	139.72	0.07	2.46
9	Debentures & Loans	114.96	+0.09	114.85	–	6.77
10	Preference	89.17	–	89.17	–	3.54

	AVERAGE GROSS REDEMPTION YIELDS		Thu Aug 17	Wed Aug 16	Year ago (approx.)
	British Government				
1	Low	5 years	9.37	9.38	9.79
2	Coupons	15 years	9.05	9.07	9.46
3		25 years	8.99	9.02	9.13
4	Medium	5 years	10.29	10.31	10.23
5	Coupons	15 years	9.47	9.48	9.68
6		25 years	9.13	9.14	9.36
7	High	5 years	10.42	10.44	10.34
8	Coupons	15 years	9.67	9.68	9.83
9		25 years	9.29	9.30	9.39
10	Irredeemables		9.08	9.08	9.73
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.87	2.90	3.07
12	Inflation rate 5%	Over 5 yrs.	3.46	3.47	3.86
13	Inflation rate 10%	5yrs.	2.14	2.17	2.10
14	Inflation rate 10%	Over 5 yrs.	3.31	3.32	3.70
15	Debs &	5 years	12.95	12.95	10.93
16	Loans	15 years	11.69	11.70	10.87
17		25 years	11.12	11.13	10.81
18	Preference		10.23	10.23	9.83

‡Opening index 2361.4; 10 am 2360.0; 11 am 2359.6; Noon 2360.8; 1 pm 2366.3; 2 pm 2374.2; 3 pm 2365.2; 3.30 pm 2365.1; 4 pm 2357.9 (a) 1.57pm (b) 4.08pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. CONSTITUENT CHANGES: Arlington Securities (69) and Newarthill (3) have been deleted. Babcock International (6) has been inserted.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	91	4	10
Corporations, Dominion and Foreign Bonds	0	11	33
Industrials	442	312	820
Financial and Properties	242	102	324
Oils	23	22	47
Plantations	3	1	7
Mines	34	46	95
Others	93	58	127
Totals	928	556	1,463

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
$75	F.P.	-	92	75	‡Alpha Estates 5p	88		u2.81	1.9	4.3	16.6
$33	F.P.	11/8	42	35	‡Ambassador Sec. Grp. 5p	40			-	-	9.5
57	F.P.	-	66	61	Babcock Intl. Group 10p	65½		u3.0	1.7	6.1	11.3
$100	F.P.	-	126	108	‡Boxmore Intl. 10p	115		u5.2	1.9	6.0	11.1
$135	F.P.	-	156	146	‡Danbury Group 10p	146	-2	L5.06	2.0	4.6	8.7
85	F.P.	-	96	84	‡Diamond Group Hldgs 5p	91		L1.13	4.7	1.6	17.3
$62	F.P.	-	70	62	‡Forwell Group 10p	67	-1	L1.8	3.0	3.6	12.3
-	F.P.	-	60	53	Hanson Warrants	55	+1	-	-	-	-
$135	F.P.	-	198	135	‡Le Creuset FF0.35	181	+1	RQ49.5	2.8	2.5	15.3
□	F.P.	-	450	425	Leveraged Opportunity Tst	447		-	-	-	-
-	F.P.	-	£101¼	£99¾	Morris (Philip) Co's. $1	£101	+1¼	Q$4.05	2.5	2.5	15.8
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Aug 7
● Last Dealings Aug 18
● Last Declarations Nov 9
● For settlement Nov 20

For rate indications see end of London Share Service

Calls in Ferranti, York Radio, Merlin Int, IMC, Amstrad, Regentcrest, Tusker, Rex Wm. Owners Abroad, Process Systems, Cowie T, Bennett & Fountain, Garnet. Put McArthy & Stone, Taylor Woodrow. P/C York Radio, Molopo.

LONDON TRADED OPTIONS

THE STOCK market had a chequered day, with earlier gains pared somewhat during the afternoon as the Dow Jones index weakened in response to the lower-than-expected US trade figures for June (a deficit of $8.17bn).

Meanwhile, trading volumes on LTOM remained in the subdued range of recent weeks. Calls (23,161) considerably outweighed puts(10,733), giving a total turnover of 33,894.

In the FT-SE index, put activity predominated, with 4,074 lots traded, and preliminary open interest figures show an increase to 56,888 from 55,180 lots. Business was spread across a number of series, with 600 lots in the September 2,100s and 561 in the adjoining 2,150 series. Total turnover amounted to 7,040 contracts.

Institutions have kept purchasing index puts as a broad hedge against a precipitous drop in the market, and implied volatilities are still a good deal higher in the puts than in the call options.

Dealers noted that the FT-SE futures contract was quite active, closing at a post-crash high.

Cable & Wireless proved the most active individual option (2,713 lots traded), following the publication of its prospectus for the American depository receipt which contained evidence of strong growth of earnings within the Mercury subsidiary.

Puts saw the most activity, (1,770) against 943 calls. The busiest series was the January 460 puts, where 1,000 lots traded, and preliminary open interest figures show a fall to 759 from 1,056 contracts outstanding.

Promising first quarter results from British Telecom also generated a good deal of business. Dealers noted call writers had been active against holders of stock. A total of 1,693 lots changed hands, divided evenly between calls (900) and puts (893). One busy series was the November 260 calls, with 620 lots.

Asda continues to build open interest – now over 21,000 contracts – largely concentrated in calls. The extent of the bullishness in the stock is underlined by the relative cheapness of puts that are near the money; the September 200 series for instance are only 8p.

Option		CALLS Oct	CALLS Jan	CALLS Apr	PUTS Oct	PUTS Jan	PUTS Apr
Alld Lyons (*539)	500	58	74	90	8	18	19
	550	28	43	60	28	35	36
[illegible]							

Option		CALLS Oct	CALLS Jan	CALLS Apr	PUTS Oct	PUTS Jan	PUTS Apr
Storehouse (*134)	130	12	16	20	5	7	9
	140	6	11	15	9½	12	14
[illegible]							

[illegible]

August 17 Total Contracts 33,894 Calls 23,161 Puts 10,733

*Underlying security price.

'A solid performance against quite a difficult environment'

BT tops expectations with £635m

By Vanessa Houlder

BRITISH TELECOM yesterday announced a 4 per cent rise in pre-tax profits from £610m to £635m for the three months to June 30. This reflected strong demand tempered by a squeeze on margins.

Mr Graeme Odgers, group managing director, said it was a solid performance against quite a difficult environment. The result exceeded many analysts' expectations and the share price rose from 251½p to 259p.

Turnover was 11 per cent higher than last time at £2.93bn (£2.63bn). This rise was virtually all due to volume growth, since prices have been held steady for nearly three years.

In September, prices for a "basket" of its main services will rise by 3.2 per cent.

Over the last year, inland telephone call volume grew by 11 per cent and international call volume by 13 per cent. Telephone exchange line rental income grew by 6.4 per cent.

Mr Odgers ascribed the buoyancy of call income to the reduction in the real price of telephone services, the growth of new services such as fax machines and a cultural change leading to greater use of the telephone.

However the company said it continued to take a cautious view on the growth of the economy and the likely increase in demand for its services. Furthermore the interest costs from its investment in McCaw Cellular Communications would come through in the second quarter, although this would be partially offset by the increase in tariffs, it said.

Operating costs increased almost 13 per cent to £2.19bn over the first quarter last year. This reflected increased inflationary pressures and the costs involved in modernising and expanding the business.

Capital expenditure totalled £814m over the period, following spending on digital exchanges, cables, cellular and other transmission equipment. In the year as a whole it is likely to exceed last year's £3bn total.

The net interest charge for the first quarter increased by £24m to £105m, reflecting the increased capital spending over the past year. The charge will rise by about £20m to £25m per quarter due to the financing costs of the 20 per cent interest in McCaw, acquired on June 20 for £840m.

Mr Odgers said that BT was considering introducing charges for Directory Enquiries, which is costing the company £200m a year, following a 20 per cent increase in volumes. However, the income this produced would be used to offset other charges. Charges would not be applied to disabled customers or people using public phone booths.

Earnings per share increased from 6.5p to 6.8p.

See Lex

EHP hit by problems in southern Europe

By John Ridding

DEPRESSED CONSUMER durable sales in Spain and Italy and losses in its hosiery business prompted a 22 per cent fall from £15.32m to £11.91m in first half trading profits at European Home Products, the retail and distribution company.

However, exceptional gains of £10.37m, resulting from the sale of factories, offices and warehouse sites belonging to its Scholl personal care and footwear businesses lifted pre-tax profits from £12.49m to £17.07m for the six months to June 30.

The company had warned in May that trading profits would be down by as much as a quarter. But the shares, which stood at 320p this time last year, yesterday shed 12p to close at 178p.

Mr Douglas Ash, chairman and chief executive, described the trading performance as "disappointing." He said that combined losses in Italy and Spain amounted to about £1.6m, reflecting the impact of tighter credit and the fact that sales at the new Galerias department stores in Spain "have not performed as well as anticipated."

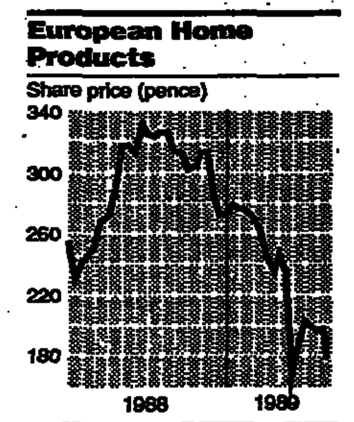
In addition, the depressed markets meant that stocks were £8m higher than at the end of June 1988 which, along with higher interest rates, had caused interest charges to rise from £2.83m to £5.21m.

The Werner hosiery business suffered losses of £400,000 as a result of the hot northern European summer and reorganisation costs.

Mr Ash said that Scholl's personal care and footwear businesses continues to perform well, respectively increasing sales by 15 per cent and 11 per cent.

The garment machinery business, which includes the distribution of Singer sewing machines, saw a slight improvement in profits from £800,000 to £900,000.

Mr Ash said that steps were being taken to improve performance at Galerias and that there had been an improvement in the second quarter in its other Spanish businesses. However, he said that "we are still finding things tough."



Turnover increased from £160.68m to £188.55m and fully diluted earnings per share rose from 13.7p to 18.3p. The interim dividend is unchanged at 2.5p.

● COMMENT

EHP's days as a stock market favourite are long past. Its apparently promising strategy of expanding into southern Europe ahead of 1992, has foundered on difficult markets and over enthusiastic growth. Given that Spain, where the problems are worst, represents the group's single biggest market, the outlook remains grim. Trading sites within Galerias, the largest headache, are being improved, as are staff. But the market for electrical products in Spain and Italy remains uncertain at best and pressure on margins is unlikely to ease. More fundamentally, the group's devolved management style, once hailed as a strength, may complicate repairs. Assuming pre-tax profits of £15m for the full year, excluding exceptionals, the shares are on a multiple of about 12. They may still have a bit further to fall, but are beginning to look tempting to a predator. Scholl, the group's brightest asset, is itself probably worth more than EHP's market capitalisation and could prompt interest from the pharmaceutical, or even retail, sectors.

British Gas fights off shareholder involvement

By Richard Tomkins, Midlands Correspondent

BRITISH GAS, which has the biggest share register in Britain after Abbey National, yesterday appeared to have fought off an attempt by small shareholders to secure representation at board level.

The attempt was led at the company's annual meeting by Mr Noel Falconer, a veteran campaigner for shareholders' rights, who for 14 years headed the British Leyland Individual Shareholders' Society (known as BLISS).

Taking the floor in front of the 1,273 British Gas shareholders who turned up at Birmingham's National Exhibition Centre, Mr Falconer enlivened a *meeting* that marked the public debut of British Gas's newly-installed chairman, Mr Robert Evans.

Mr Falconer said the company's 2.7m individual investors held a quarter of the equity and the directors ought to be aware of their views. Proposing himself as an appointee to the board, he asked: "What better way of knowing what the general shareholders want than to have one of them actually by you?"

Mr Evans, in contrast to the stance customarily adopted by his irascible predecessor Sir Denis Rooke, listened patiently to the argument and seemed almost apologetic as he explained why Mr Falconer could not be accommodated. "I do not deny that there may be people with knowledge, experience and abilities among our shareholders," he said. "I think that's probably quite correct. But I regret to say that your board doesn't have room for them all."

The chairman said he believed the existing board already represented an amalgam of the best talents available for running British Gas. On a show of hands, the audience agreed with him, and with the proxy votes running five to one against Mr Falconer, the cause appeared lost.

Mr Evans survived two further attacks from Mr Falconer without loss of sang froid. One questioned increases in directors' pay against a background (by Mr Falconer's calculations) of static or declining profits. The other sought to have shareholders' nominations for directorships sent out with the notice of the AGM.

Throughout the largely good-humoured meeting, Mr Evans seemed keen to strike a note that combined authority with patience and concern. Only once fielding a tricky technical question to financial director Mr Alan Sutcliffe, he *largely achieved both.*

Evidence of British Gas's new, caring image emerged more than once. Mr Evans gave an encouraging answer to a female questioner urging equal opportunities for women in the organisation, and gave *several nods to the green* lobby.

One shareholder who did leave the meeting unsatisfied, however, was a Mr Jones of Birmingham, who complained that 11 per cent of his gas consumption was absorbed by the *pilot light on his gas fire.* Mr Evans regretted that he could *not promise him a new one.*

Doubts thrown on claim to be a transformed character

Hugo Dixon on the GEC/Siemens bid for Plessey

THE MAIN thrust of the GEC/Siemens offer document for Plessey is that the smaller electronics company is in a vulnerable position because of changes in the electronics industry. It also casts doubt on the underlying level of its profitability.

The Anglo-German consortium attacks Plessey's claim that it has transformed itself over the past three years into a company with outstanding growth prospects. "The new Plessey is fundamentally the same as the old Plessey," the document says.

In telecommunications, the consortium claims that Plessey needs an international partner to share costs of future systems development. Similar arguments are made for defence electronics and microchips, Plessey's two other leading businesses.

Specifically, GEC and Siemens question whether Plessey's reported accounts for the year to end-March 1989 are a solid basis for projecting future earnings. Although earnings per share grew by 9.6 per cent over the year, they fell by 24.8 per cent if extraordinary items are included.

The consortium says that Plessey's earnings included the effect of a £5.2m refund from a pension fund and a £10.9m benefit of prior year adjustments in the charge to taxation, but excluded the costs of restructuring Three-Five, its *gallium* arsenide semiconductor activities, which are written off below the line.

"Will they continue to be able to enjoy pension fund refunds and prior year tax adjustments, and continue to write off costs below the line?", one GEC/Siemens adviser asked.

The effect of including extraordinary items in Plessey's figures is to make the consortium's offer of 270p a share look more generous. This is a multiple of 20.3 times last year's earnings after extraordinary items, compared with only 15.4 times the above-the-line figure.

Another plank of the GEC/Siemens attack is to point out how the string of acquisitions – mainly of North American defence companies – which Plessey embarked on last year, have knocked a hole in the company's shareholders' funds. These more than halved to £302m in March 1989, down from £622.5m a year earlier.

The acquisitions took place when defence budgets were shrinking and competition increasing, the document says. "Plessey's response appears to have been to increase its exposure by concentrating its acquisitions in the most competitive market place, namely North America."

The consortium's arguments about extraordinary items did not convince Mr James Dodd, an analyst at Kleinwort Benson Securities, who said it was more relevant to look at earnings above the line. However, he agreed that Plessey's balance sheet bore the "scars of the acquisition policy of 1988."

"In terms of paying for earnings, the offer is not particularly generous, but in terms of paying for assets they are offering something like six times Plessey's book value," Mr Dodd said.

HOW PLESSEY WILL BE DIVIDED UP

	GEC %	Siemens %
United Kingdom		
GPT	60	40
Plessey Avionics	100	0
Plessey Defence Systems	0	100
Plessey Naval Systems	100	0
Plessey Radar	0	100
Plessey Traffic Controls	0	100
Other Plessey businesses	50	50
North America		
Plessey Electronic Systems Corp (formerly the Electronic Systems Division of The Singer Company)	75	25
Sippican Inc	100	0
Leigh Instruments	100	0

Note: Siemens is to acquire the entire interest in Plessey Defence Systems, including its Australian operation (other than the ceramics and underwater systems division) but excluding Plessey's cryptographic interests which will be acquired by GEC.

Terms of GE ventures altered

THE TERMS of four joint ventures the General Electric Company announced with GE of the US last January have been significantly changed, according to a circular sent to GEC shareholders yesterday.

Financial details of the arrangements, revealed for the first time in the circular and in the GEC/Siemens offer document for Plessey, also suggest that GE made a good deal. However, Mr David Newlands, GEC's new finance director, said: "I think those deals are all right financially."

The ventures were agreed at a time when GEC was facing a takeover threat from Metsun, a shell company inspired by Plessey. At one point, GE considered joining the Metsun consortium but refrained from doing so after GEC agreed to collaborate with it in consumer products, electrical distribution equipment, medical electronics and gas turbines.

The deals were originally portrayed as a means by which GEC and GE would pool activities in Europe to attack the region's markets more effectively. Much of this collaboration has been replaced with straight financial transactions.

The most important deal covers consumer products, where GEC's Hotpoint business was to have been pooled with GE's European activities in the same area to form a 50-50 joint venture.

This agreement has now been altered so that GE is not putting any of its European businesses, which at the time were estimated to have an annual turnover of £50m, into the company. It is simply paying £285m for a half share of GEC's businesses, which had sales of £558m and operating profits of £62m in the year to the end of March.

The medical equipment deal was to have involved GEC merging its European operations with GE's and receiving a 25 per cent stake in return.

The new arrangement is much narrower. GEC will retain its UK manufacturing and research activities and its continental European operations in the medical field.

The only transaction will be the sale of its UK sales and service activities – which had turnover of £15m and operating profits of £2m in 1988/89 – to GE for £15m.

The structure of the electrical distribution venture does not appear to have changed. This involves merging GEC's Belgian-based Vynckier group with GE's Italian subsidiary, Compagnia Generale Elettromeccanica (Cogemec) in a 50-50 company.

Vynckier had sales of £133m and operating profit of £16m in 1988/1989, while Cogemec's sales for the year to the end of 1988 were £52m and its pre-tax profits were £8m. GE is paying GEC £26m because its operations are smaller.

The gas turbine venture has been scaled down. GE was originally to have taken a 33 per cent stake of a new European Gas Turbine Company, in which GEC-Alsthom, GEC's power engineering joint venture, would have had the remaining 67 per cent. The current plan is for GE to take a shareholding of 10 per cent.

Approach made to Monks & Crane

MONKS & CRANE, the USM-quoted distributor of industrial tools and fixings, said yesterday it had received an approach which could lead to a bid, and added that current trading was satisfactory, writes Clare Pearson.

Mr Albert Specie, chairman, said it had seemed necessary to make the announcement following a sudden fall in the company's share price, which shed 15p to 68p on Wednesday. This was apparently triggered by a small-sized sell order in the thinly-traded shares.

Yesterday the shares rose to 80p to give a market capitalisation of £14.3m.

Mr Specie said the discussions with the potential bidder, which was not the only party to have made an approach, were friendly. The company in question was larger, and a merger would create opportunities for industrial synergy.

"There is nothing at the moment that leads us to believe we won't conclude an amicable arrangement," he said. He added that Sumit, the venture capital concern, shareholder managers and directors together held about 39 per cent of the equity.

In a comment designed to soothe investors' nerves about current trading, the company said conditions were satisfactory. But it was cautious about the outcome for the full year.

One analyst said he was cutting his current year pre-tax profits forecast from £2.75m to £2.25m. This was in the light of the impact of the housebuilding downturn on its fittings business.

Armstrong Equipment, the industrial fastenings and engineering company, and Thomas Robinson Group, the mini-conglomerate, were both tipped yesterday as possible bidders.

Also mentioned were Haden Maclennan Holdings and Bardsey. James Wilkes, the beermat printer and engineer, is understood to have terminated preliminary discussions with Monks & Crane on grounds of price several months ago.

Monks & Crane made pre-tax profits of £2.51m (£2.01m) on sales of £46.61m (£39.38m).

Boots forced to qualify survey statistics

Boots, which is waging a £900m bid battle for fellow retailer Ward White, was yesterday obliged to amplify some of the results of a telephone survey in its increased offer document, writes Nikki Tait.

The bidder said in the document that it had commissioned "an independent telephone survey of over 700 superstore customers, which showed considerable consumer dissatisfaction with Payless [Ward White's DIY subsidiary]" – and then offered some elaboration on this.

Yesterday, the bidder added that the detailed numbers were 713 DIY customers, of whom 51 identified Payless as the store which they had most frequently visited in the last 12 months.

Boots said that "in respect of certain questions, the number of respondents within the category of those who had most frequently visited Payless in the previous 12 months was lower than 51, and in two cases (where Payless ranked last or second last) significantly lower".

Quotient incurs £1.98m deficit

By Vanessa Houlder

A DEARTH of orders from the financial services sector forced Quotient, the financial systems consultant, into a loss of £1.98m for the six months to June 30.

The result, struck on turnover of £9.2m (£11.11m), compared with a pre-tax profit of £817,000 for the same period of the previous year.

Following the announcement the share price fell 3p to 85p. That compared with a high of 487p reached before the 1987 stock market crash, when financial services groups were investing to meet the demands of Big Bang.

The City had been forewarned about the result in May, when the company said it would make a first-half loss, and again in July, when the company announced that it expected to make a loss for the year.

It yesterday repeated its belief that it would return to profit in the second half, although this would not compensate for the large first half deficit.

Mr Tim Simon, chairman and chief executive, said that the disappointing performance resulted from a combination of a failure to achieve anticipated sales and an increase in costs.

UK sales suffered particularly from inertia in the equities and bonds sectors, although other areas held up well, he said.

The depressed state of UK stockbroking, coupled with a more general reluctance to install or adapt systems until more detailed specifications for Taurus (designed to automate settlements in the UK equity market) are finalised, has made business difficult to generate, said Mr Simon.

Historically the bulk of profits came from the UK stockbroking sector.

Costs continued to rise due to an office move (which cost £1.5m), the consolidation of certain overseas operations and a heavy investment in the development of new products and services.

Redundancy and reorganisation costs of £650,000 were included in the loss for the period.

Mr Simon said that the UK operations had been completely restructured. 50 staff had left since the beginning of the year, allowing part of its new office to be released for sub-letting.

Mr Simon said that several factors gave him confidence for the latter part of 1989 and 1990. He pointed to the buoyancy of worldwide off balance sheet and capital markets, the introduction of Taurus and client commitments to new ventures in insurance and share registration.

He said that, in spite of trade press speculation that the group was for sale, it continued to place considerable value on its independence.

Mr Ian McLeod, an analyst at County NatWest, forecasts that the company will incur a loss of £1.5m for the year, followed by £500,000 profit the following year.

Diluted earnings per share fell from 10.73p to a loss of 2.48p.

There is no interim dividend this time. A payment of 1.4p was made for the period last year.

Elsevier lifts its holding in Pearson to 9.3%

By Nikki Tait

ELSEVIER, the Dutch publishing group, has lifted its holding in Pearson, the publishing, banking and industrial conglomerate which owns the Financial Times, from about 8.2 per cent to 9.3 per cent, following the acquisition of a further 2.8m Pearson shares.

At the same time, Mr Michel David-Weill, a Pearson director and senior partner of Lazard Frères in New York and Paris, has increased his notifiable interest to a similar 9.3 per cent.

This is a rise of 1.2 percentage points, and follows the purchase of a further 3.2m shares.

Pearson said yesterday that the shares involved had come from Mrs Jacqueline Beytout, the former proprietor of Les Echos, a French financial newspaper group now controlled by Pearson.

Mrs Beytout resigned as president of Les Echos in January, citing "profound disagreements" over the future management of the financial daily.

Mrs Beytout retained a holding of 7.375m shares in Pearson – part of the payment when Pearson first acquired a majority stake in the company in 1988 – but Lazard Frères had first refusal on these shares if she chose to sell.

That option has now been exercised and some of the shares sold on to Elsevier.

Mrs Beytout's remaining interest amounts to less than 1 per cent of Pearson's equity.

Elsevier first acquired shares in Pearson as the result of a strategic share swap deal between the two companies last year.

Pearson shares were unchanged yesterday at 810p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Assoc-Henriques	int	1	Oct 9	0.75	-	2.5
Blagden Inds	int	4.2†	Oct 3	3.9	-	8.4
European Home	int	2.5	-	2.5	-	6
Gartmore Inf Tst	int	0.425	-	0.425	-	1.45
Gaskell	int	2.8	Oct 2	2.5	-	7.5
Joe Holdings	fin	3.25	Nov 3	2.56*	4.25	3.4*
Microvitec §	int	0.75	Oct 10	0.75	-	1.75
Quotient	int	nil	-	1.4	-	3.4
River Merc Gear	int	1.3	-	1.2	-	8.2
Royal Insurance	int	10.75‡	Nov 10	9.5	-	22.5
Vantage Secs	int	0.6	-	0.6	-	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡Carries scrip option.

UK COMPANY NEWS

No joy for AFI dissidents at stormy meeting

By Andrew Hill

SHAREHOLDERS in Amalgamated Financial Investments haven't had much to shout about since the company began life as Amalgamated Tin Mines of Nigeria (Holdings) 50 years ago.

Yesterday, at an extraordinary shareholder meeting in the appropriately colonial atmosphere of Brown's Hotel, they broke half a century of near-silence.

In the space of 100 minutes, they called for the resignation of Mr John Scholes, the investment company's chairman and secretary, and described the meeting, variously, as a farce, a sham and a charade.

Three AFI shareholders called the meeting in an attempt to oust former chairman Mr Frank Welsh from the board and install themselves in his stead.

Mr Richard Wollenberg, a former chief executive of AFI, Mr Colin Weinberg and Mr Rupert Pearce Gould also wanted to question AFI's involvement with Bestwood, the property, industrial and housebuilding company which is the subject of a Department of Trade and Industry probe.

But the formal business of the meeting lasted only eight minutes, after Mr Scholes dismissed the resolutions and declared the meeting closed, despite shareholder protests.

Mr Welsh had resigned from the board just before the meeting, Mr Scholes announced. The resolutions proposing the election of the three dissident shareholders were out of order, according to legal advice, and the deal to buy shares in Bestwood had already been rescinded, he added.

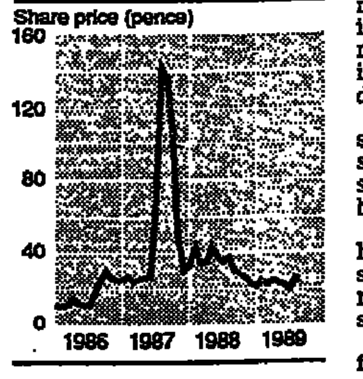
The three shareholders had alleged that under Mr Welsh's chairmanship, AFI carried out a number of deals with companies linked by cross-holdings or common directorships.

In a letter sent to shareholders yesterday Mr Scholes said the board's investigation into Mr Welsh's conduct as chairman had found no impropriety. Mr Welsh's letter of resignation as a director said that the "campaign of harassment and innuendo" carried out by the three dissident holders had made his position untenable.

The meeting bewildered a number of small shareholders who said they had hoped for a full explanation of AFI's alleged problems.

One shareholder, Mr David Blythe, who is now considering proposing himself as a director, said: "We are crucifying ourselves and the company. This meeting is doing nothing more than driving our share price down into the ground."

Amalgamated Financial Investments



Mr Wollenberg – who at one point claimed there was a DTI inspector sitting in on the meeting – Mr Weinberg and Mr Pearce Gould said they might requisition another EGM if they could not resolve the matter amicably. They are taking legal advice about the conduct of the meeting.

Mr Scholes, a 14.7 per cent shareholder, was unmoved. He said AFI intended to appoint some more directors to the board shortly.

"I think Mr Wollenberg and his two associates goofed," he said afterwards. "I now want to move forward and enhance the share price of the company."

Since AFI became that most fascinating and dangerous of stock market animals, a cash shell, in 1982, some investors have seen their shares rise as high as 145p. Yesterday, unaffected by the storm at Brown's, they were unchanged at 24½p.

Interest turnround helps lift Blagden Industries to £5.8m

By Clare Pearson

BLAGDEN INDUSTRIES, the packaging, chemicals and industrial equipment group, yesterday announced a 25 per cent increase in pre-tax profits from £4.64m to £5.8m in the 25 weeks to June 25, scored on turnover up from £78.54m to £84.87m.

Net interest receivable stood at £206,000, against a payable figure of £612,000. This was as a result of last August's rights issue, which also meant that earnings per share were only marginally ahead at 9.1p (9p). Operating profits stood at £5.67m (£5.19m).

Mr John Gillum, chairman, said: "We look to a satisfactory outcome for the year as a whole, whilst the 8 per cent increase in the interim dividend now declared is indicative of our confidence." The dividend rises to 4.2p (3.9p).

Mr Tec Wilkinson, chief executive, said Blagden had a two-year capital investment programme, with £14m earmarked for 1989, of which £5m was being spent on upgrading steel drum and drum reconditioning plant.

Mr Wilkinson highlighted the "most encouraging" upturn in profit achieved by drum reconditioning activities in the UK, following the capital investment in this activity.

Packaging in the UK lifted operating profits to £1.02m (£923,000). International packaging put in £3.75m (£3.38m), with good performances by the Belgian, French and Dutch companies.

Profits were lower in the chemicals division, at £1.19m, against £1.31m. This was described as a reasonable first half in the face of difficult conditions in chemicals trading. The division was now benefitting from improved margins.

Development of a plant supplying formaldehyde resin for a new chipboard manufacturing factory at Cowie in Scotland is proceeding on schedule and it is expected to be operational around the turn of the year.

Protective equipment earned £504,000. This was up from £202,000 but the figures are not comparable because of the acquisition of Iles Optical Group, acquired in the second half of 1988.

● COMMENT

Glamorous Blagden is not: nevertheless, along with a number of Britain's more sedate companies, it has been attracting some "green" attention recently. This springs partly from the idea that the worst thing a reconditionable, reusable steel drum — unlike a plastic one — can do is cut you, and partly from the view that chipboard, for which Blagden is building a new resin plant, is environmentally worthy since it wastes no part of the tree. Leaving this angle aside, it remains hard to see much overall growth in the market for steel drums — but Blagden, busily upgrading its facilities, will certainly be in a good position to take out smaller players unable to meet more stringent hazardous waste legislation. Meanwhile, the formaldehyde resin plant looks a genuinely interesting prospect since the UK currently imports about 70 per cent of its chipboard. This year, however, finds Blagden firmly in consolidation mode. Earnings in the full year are likely to show growth of only about 1p to 10p, giving a prospective p/e over 10.5. But the prospective yield is a comfortable 5.8 per cent, and the shares look a solid longer-term hold.

Jos assets rise by 19%

Jos Holdings, investment trust, reported a net asset value of 190.35p at July 31 1989 - a rise of 19 per cent on the figure a year earlier.

Gross revenue for the 12 months to end-July amounted to £709,859 (£570,053). Earnings per share advanced to 4.78p, against 3.74p last time. A recommended final dividend of 3.25p makes 4.25p (3.4p adjusted) for the year.

Associated-Henriques up 96% at £1.3m

By Philip Coggan

ASSOCIATED-HENRIQUES, the trade finance company, yesterday announced a 96 per cent jump from £653,000 to £1.28m in taxable profits for the six months to June 30 1989.

The company finances imports by British companies, via letters of credit and bills of exchange. Mr Milton Levine, executive chairman, said the company had managed to prosper in the current high interest rate environment because it always lent money at a fixed margin over its cost of borrowing.

Last week, London Forfaiting, a trade finance company specialising in export finance, announced an interim pre-tax loss of £6.5m caused by the recent surge in interest rates.

Mr Levine said that the group's receivables were currently 2.5 times its capital base and it had the ability to expand until the ratio was 6.5 times.

"We are budgeting for an increase in profits in the second half of the financial year although profits will be more evenly spread between the first and second halves than in the previous year" he said.

Turnover was £2.4m (£1.02m). After tax of £459,000 (£249,000) earnings per share were 2.59p (1.28p). The interim dividend is increased to 1p (0.75p).

Addison wins approval for buy-out of design offshoot

By Ray Bashford

SHAREHOLDERS in Addison, the market research and public relations company, yesterday approved the £5m management buy-out of the design offshoot.

The sale of the design group is an important part of a plan to concentrate the company's efforts on market research with the aim of developing European operations in co-operation with Motivaction, a French market research group with a 24 per cent stake in Addison.

Following the sale of the design company, MAI, the market research, advertising and financial services group is expected to announce soon whether it plans to make an offer for Addison.

MAI bought a 24 per cent stake in Addison earlier this year and has on two occasions said that it would publicly state its intentions when the design company sell-off went through.

Addison is expected to continue discussions about the sale of Streets Communications, its public relations offshoot. A planned management buy-out for £1m collapsed earlier this year.

DC Gardner awarded training contract for bankers in Nigeria

By Clare Pearson

Tutors from DC Gardner are to travel to Nigeria to provide courses for senior bankers there under a £100,000 contract that has just been won by the USM-quoted financial training concern.

Mr. Colyn Gardner, chairman, said this was the second major contract the company had won in Africa, following a similarly sized deal in Zimbabwe – "for which we got paid", he added.

Nigerian bankers have traditionally trained in New York and London but the devaluation of the naira has made imported training an increasingly attractive option.

DC Gardner last year earned over £2.5m in export fees from training bankers in 30 different countries including Malaysia and parts of the Middle East.

The company last month virtually doubled its size through three acquisitions, worth £11.5m. These have taken it into redundancy counselling as well as providing it with extra residential training facilities and interactive computer simulators.

Microvitec ahead 21% to over £1m

Pre-tax profits at Microvitec, the USM-quoted micro-electronics group, rose 21 per cent, from £912,000 to £1.13m, in the first half of 1989.

Turnover advanced 33 per cent to £18.19m (£13.68m), with most of the growth coming from satisfying an initial heavy demand for terminals for the £5.5m contract with British Telecom, announced earlier in the year. However, gross profit rose only 5.5 per cent to £4.29m (£4.07m).

The directors said restructuring of the business resulted in certain engineering and quality control expenses being transferred from distribution costs and administrative expenses to cost of sales. There were also competitive pressures and a change in product mix towards higher volume contracts.

They expected sales in the second half to be lower mainly because of the reduced scheduling of two major original equipment contracts. However, new products will be introduced towards the end of the year which should help secure new business during 1990.

Earnings for the period rose to 2.7p (2.2p) and the interim dividend is again 0.75p.

Gartmore Info assets improve

In a period which had been "very difficult" for the industries in which it specialises Gartmore Information & Financial Trust increased its net asset value to 58.6p at June 30. That was an 11 per cent increase on the 52.6p a year earlier.

Net revenue for the six month period fell from £687,555 to £574,780 for earnings of 0.75p (0.9p) per share. The interim dividend is maintained at 0.425p.

The managers reported that about 67 per cent of net assets were invested in the financial sector where profits were under strain due to high interest rates and inflation.

The recent BAT bid, however, had focused welcome attention on the financial services sector, the managers said, and, looking forward, they were optimistic for the long term.

Correction
Laird Group

Sir Ian Morrow was incorrectly identified in a caption yesterday as chairman of Laird Group. Although he remains a director, he was succeeded in 1987 by Mr John Gardiner, who is also chief executive.

Rentokil expands in Belgium

Rentokil, the pest control and environmental services group, is expanding its tropical plant interests in Europe via the £1.3m cash acquisition of De Smedt & Monsieur of Belgium.

The Brussels-based company, which sells, rents and maintains tropical plants for commercial and industrial customers, reported profits of £112,000 on turnover of £848,000 for 1988.

The purchase of De Smedt & Monsieur, which will become part of Rentokil Belgium, follows recent acquisitions of Floreat, a Dutch company, and Roots Indoor Plant Hire in Australia.

Mr Clive Thompson, chief executive, said "the tropical plant business is now well established as a core group service and, having achieved a leading position in the UK, the US and Australian markets, we are now repeating this throughout Europe."

BOARD MEETINGS

TODAY

Interims- Algemene Bank Nederland, Clarke (T), Takare, Young Group.
Finals- Usher (Frank).

FUTURE DATES

Interims-	
Blue Circle Industries	Sep. 8
Bowater Industries	Sep. 4
Goal Petroleum	Sep. 18
Kingfisher	Sep. 12
Finals-	
Cantors	Sep. 4
Telford	Aug. 21

UK COMPANY NEWS

Deferring debt with no penalties

Maggie Urry and Norma Cohen on Lowndes' package for recovery

AS WITH MFI Furniture's refinancing on Wednesday, Lowndes Queensway's package yesterday suggested a high level of pragmatism on the part of the bankers.

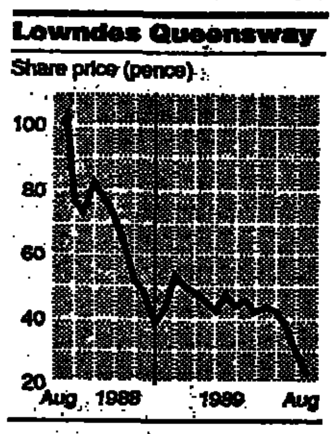
The two furniture retailers – both heavily dependent on the housing market and so both suffering in the current downturn – have been able to raise new money from shareholders and defer capital repayments to their bankers, with no significant penalties.

Mr David Tibble, Lowndes finance director, says the banks "are getting their interest and Lowndes is ahead of schedule on the loans".

The banks are not increasing the interest rate margin on the Lowndes' debt or charging more than a small administration fee for agreeing the refinancing.

Mr Eddie Dayan, managing director of Lowndes, says the package was worked out on a "worst case" basis assuming sales running at 25 per cent below last year's level and the market staying flat for three years, but with Lowndes increasing its market share.

Barring an even worse outcome, he says, there will be no further need for extra finance.



The £18.5m three-for-seven rights issue, at 20p compared to the 22½p share price when it was suspended on Monday, is straightforward new equity.

Lowndes is also deferring the repayment of £18m of debt. The 20 banks in its lending syndicate have the right to 90 per cent of the cash raised from asset disposals, through which Lowndes is in the process of raising £40m. Instead of giving the bankers £36m and keeping £4m, Lowndes will keep £22m.

Mr Tibble says Lowndes' medium-term debt of £165m will fall to £145m by the financial year-end in January 1990. Short-term debt fluctuates according to the time of year, but is currently between £20m to £30m and likely to drop to nothing at the year-end.

Lowndes had been able to reduce its interest rate costs by arranging the placement of so-called caps at the time the bank financing was set in place. While lenders continue to receive interest at 1.75 per cent over Libor – now at 13.75 per cent – Mr Tibble says that Lowndes' interest expense is actually less than that.

Of the £165m, £80m is paying interest of 13.2 per cent, until an interest rate swap runs out in March, and Mr Tibble says he is looking to fix another cap for that. Another £40m is fixed at 14.2 per cent until next month. The rest is at floating interest rates.

Lowndes' lenders had initially provided a £250m medium-term loan facility, about £85m of which has been repaid through asset sales, as well as an overdraft facility of up to £30m. This will temporarily be increased to £40m pending receipt of funds from the planned rights issue.

Lowndes' lenders also agreed to accept substantially weaker protective covenants relating to net asset ratios and net interest coverage than had been spelled out in the initial loan documentation. The company is not expected to return to more normal operating ratios until after 1992.

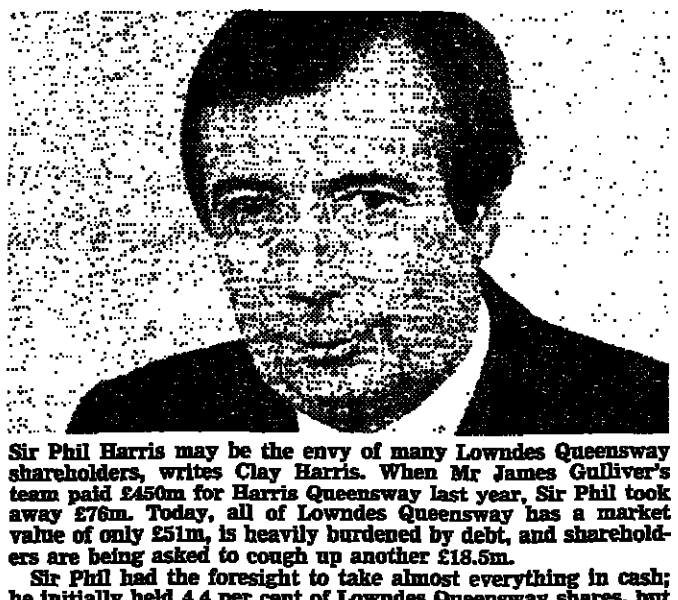
Mr Dayan is confident that Lowndes will make a trading profit in the second half and hopeful that the full-year loss will be less than the £17m loss estimated for the half-year to the end of July.

Some stockbrokers' analysts are prepared to go along with that. Mr Mark Husson, at Morgan Stanley, is pencilling in a £10m loss for the current year and a £10m profit for the next. More sceptical followers, such as Mr John Richards, at County NatWest, are less optimistic.

Mr Dayan believes that "the long-term potential for Lowndes is enormous". Some cost savings will come through fairly quickly but the real uplift will come if the redesigned furniture and carpet stores fulfil the promise of their trials.

Tests of a new out-of-town furniture format for Queensway were "very promising", he said, and another 20 stores would be converted by the end of December at a cost of £3m. A new Carpetland trading formula had been "outstandingly good" and 80 stores will be opened by the end of October at a cost of £7m.

Lowndes directors will take up their rights, covering 824,000 new shares, and Mr Dayan still hopes that they can benefit from at least part of the "accelerator" enshrined in the original leveraged buy-out, which enables the directors to push 1m shares as high as 10m shares if the share price rises above 200p.



Sir Phil Harris may be the envy of many Lowndes Queensway shareholders, writes Clay Harris. When Mr James Gulliver's team paid £450m for Harris Queensway last year, Sir Phil took away £76m. Today, all of Lowndes Queensway has a market value of only £51m, is heavily burdened by debt, and shareholders are being asked to cough up another £18.5m.

Sir Phil had the foresight to take almost everything in cash; he initially held 4.4 per cent of Lowndes Queensway shares, but sold all within weeks. As part of the deal, Sir Phil bought out Queensway's 75 per cent holding in Harveys, the soft furnishings chain, for £19m. Harveys is the centrepiece of Sir Phil's new retail kingdom, much smaller than his former realm, but one untroubled by public scrutiny.

He has also re-established a position in carpet retailing, the business he knows best, through Carpetright, and has interests in start-up ventures called Furniture City and Blouse House.

Harveys plans to add another dozen stores by January 1, to raise the total to 88, insisting that its programme has not been affected by the general retail malaise. Carpetright has 17 shops but plans to treble the number by Christmas.

Mr Richard Hyman of Verdict Research notes: "It's the Phil Harris approach to chuck everything into physical growth." But will Sir Phil, who was not available to comment yesterday, eventually return to the stock market? "I think it's unlikely that he will, and I think he shouldn't," says Mr Hyman. Sir Phil and his associates, he argues, are "great for running a medium-sized business: they're dynamic, quick on their feet and can spot opportunities." They are unlikely to have resolved, however, the inevitable friction between entrepreneurship and public quotation which undermined HQ's relations with the City last time.

Western Motor directors propose cash buy-out scheme

By Ray Bashford

A TEAM of directors at Western Motor Holdings has made buy-out proposals which could value the automotive retailing, distribution and transport company in excess of £80m.

The directors are planning to pay cash for the company's shares, which responded to the announcement of the possible buy-out with a leap of 164p to 818p.

This closing price capitalises Western Motor, which has the exclusive UK and Irish franchise to sell Soviet-made Lada cars, at £79.2m.

Directors stressed that the proposals were at a preliminary stage and added that a further announcement would not be made for at least two weeks.

Western Motor is due to announce interim results next month. The growth in interest rates has imposed tighter trading conditions on the company over the past six months.

The acquisition in October 1987 of the Lada franchise was seen, in part, as a means of making the company less dependent on sales of its higher-priced models such as BMWs and Jaguars, and therefore creates an insulation from the effects of an economic downturn.

The franchise was purchased through the takeover of Satra, a company owned by Mr Ara Oztemel, the Armenian-American chairman of Western Motor, who has strong contacts within the Soviet Union.

The £20.6m purchase price comprised £9.31m cash with the remainder satisfied through an issue of 2.25m shares at 500p. These shares were capitalised yesterday at £18.4m following the sharp rise in the share price.

Mr Oztemel is the biggest shareholder. Other board members collectively control about 25 per cent of the capital.

The foundation for the expansion of Western Motor was created in March 1987 through a management buy-in, which valued the company at £5.5m.

In addition to the Lada franchise, in June 1987 the company paid £13.3m for Penta, the Thames Valley car dealer and earlier this year paid £5.5m for Howells, another car dealership group.

The management team is being advised by Samuel Montagu, which also worked on the buy-in.

Gaskell held to £1.04m as interest charges surge

By Graham Deller

SHARPLY INCREASED interest charges held back profits growth at Gaskell, the Lancashire-based carpets and floorcoverings group, in the first half of 1989.

At the time of the preliminary statement in April, Mr Edward Andrew, chairman, warned that interest payable would be "significantly increased".

In the event, the charge jumped from £52,000 to £261,000 restricting pre-tax profits to £1.04m – a marginal rise on the £1.02m achieved in the same period of 1988. Turnover expanded 29 per cent to £19.02m (£14.77m).

At the trading profit level, however, Gaskell recorded a 21 per cent gain to £1.3m (£1.07m). Retail demand had shown a "marked decline" in recent months, Mr Andrew said, but contract and industrial orders remained at a high level. The group's capital expenditure programme was now complete.

Mr Andrew said the Bamber Carpets subsidiary was now a "vertically integrated manufacturer of completed carpet tiles" and that about £2m of the improved turnover was attributable to the group supplying completed tiles rather than tufted cloth made from yarn supplied by the customer.

The Gaskell Carpets side experienced "buoyant demand" for contract Axminster products with the factory operating at full capacity for most of the period.

Earnings per 20p share were unchanged at 13.7p. The interim dividend is lifted from 2.5p to 2.8p.

Explaura makes £2.16m rights as losses increase

By Philip Coggan

EXPLAURA HOLDINGS, the USM-quoted limestone mining company, is raising £2.16m via a one-for-20 rights issue which will enable it to float off Gander River Resources, its gold exploration subsidiary.

The company also announced its interim results for the six months to June 30, which showed an increase in pre-tax losses from £26,300 to £71,500.

However, the company has not yet begun to produce limestone; the first shipments are expected in the autumn.

Around £800,000 of the rights proceeds will be used to capitalise Gander River Resources, which will explore for gold in certain areas of Newfoundland, where Explaura's principal mining operations are based.

The company says that it is appropriate for the Gander River claims to be demerged into a separate company.

The demerger will be achieved by the payment of a special dividend of £800,000 in the form of a distribution of shares in Gander River on the basis of one new share for every seven in Explaura.

Shares in Gander River will be traded under the Stock Exchange's rule 535 (2) with Whitefriars, Explaura's financial advisers, acting as market-makers.

Explaura will use most of the rest of the rights proceeds to fund a feasibility study into the prospects of building a cement production facility at the group's Lower Cove site in Newfoundland. Such a plant would be established as a joint venture.

A drilling programme on sites near Lower Cove has confirmed the presence of 100m tonnes of high purity limestone deposits, suitable for cement manufacture and the company has claims over further sites which are known to contain gypsum, which is the other main constituent of cement.

Under the rights issue Explaura is issuing 5.4m shares at 40p each. Shares in Explaura fell 1½p to close at 45p yesterday.

United Newspapers

Mr Conrad Black, owner of the Daily Telegraph, has, through Hollinger, increased his interest in United Newspapers to 14.37m ordinary shares (7.47 per cent).

COMMODITIES AND AGRICULTURE

EC to unveil organic farming plan

By Tim Dickson in Brussels

IMPORTANT new proposals governing the production and sale of organic farming products – including a quality mark for those which meet the required conditions – are likely to be unveiled by the European Commission in October.

Details of a draft directive on the subject are understood to be almost finalised in Brussels and officials are hopeful that Mr Raymond MacSharry, the EC's Agriculture Commissioner, will secure formal Commission endorsement for the plan this autumn.

The EC initiative, foreshadowed in a recent "communication" to the Council of Ministers on agriculture and the environment, comes at a time when interest in organic farming is rapidly accelerating across the Community. The Brussels proposals, however, are bound to be controversial and may be viewed with suspicion by those worried about the commercial impact on "other" products, and about the practicability of enforcing Community-wide rules.

The general idea of the directive will be to enable farmers to classify particular foods as organically produced – perhaps by attaching a "green label" – provided they can show that the products have been grown under certain specified conditions. They would need to guarantee, for example, that pesticides had not been used and that there had been no recourse to other artificial growth stimulants as defined in a list laid down by the Commission.

Officials in Brussels are particular anxious that non-organic foods, which represent the bulk of the market place, will not be seen as inferior as a consequence of the new quality mark; they are also conscious of the scope for fraud and misrepresentation and intend to make sure that member states have adequate controls in place before authorising the premium label's use.

"There will be no inspectors from Brussels running around checking up on people. The member Governments will have to do this themselves," one senior official indicated last night.

Measures to encourage organic farming, meanwhile, should be distinguished from the wider debate which is gathering pace in the Community on food quality.

The issue was a significant theme running through "Le Monde Rurale" – the Commission document setting out ideas for developing and protecting the countryside and rural communities. In it the authors stressed the growing importance of value-added outlets for farmers in an era of production restraint, and suggested that so-called labels of distinction should be permitted in certain parts of the Community enabling farmers to benefit from higher returns.

The French Government – currently in the chair of the EC Council of Ministers – is particularly keen on this approach and intends to make quality a key issue for its presidency. But with other countries like Britain likely to fight any hint of backdoor protectionism, the Commission is having to tread carefully as it draws up its plans.

Mr MacSharry is thought to be anxious to steer a middle course, avoiding for example restrictive labels for cheeses originating from a particular region and widely manufactured elsewhere.

On the other hand he believes that a premium label is justified where a region can genuinely lay claim to a particular process or raw material. It is understood that Commission proposals are not as far advanced as they are for organically produced foodstuffs.

Brussels to mediate in dioxin dispute

By Tim Dickson in Brussels

THE EUROPEAN Commission yesterday agreed to try to sort out an increasingly bitter dispute over Italy's refusal to import Dutch farm products suspected of dioxin contamination.

Italy's ban, which came into effect on Monday, follows the discovery of excessively high levels of dioxin contamination in cow's milk in two areas of the Netherlands early last month.

Mr Gerrit Braks, the Dutch Farm Minister, imposed a ban on the sale of dairy products from the areas affected (one of which has since been lifted) and informed his EC counterparts at the last Agriculture Council in Brussels on July 17.

With Dutch meat exports to Italy worth an annual F150m (£14.5m) alone – according to the Central Organisation of Meat Wholesalers – Mr Braks is under growing pressure to act.

The Commission's intervention yesterday came after a request from the Government in The Hague for Brussels to start a so-called Article 170 procedure.

This enables one member state which considers another member country to have failed to fulfil an obligation under the Treaty of Rome to bring the matter before the European Court, but before that to bring the matter before the Commission.

The Brussels Commission will now hear the arguments of both sides orally and in writing and has three months in which to deliver its "opinion." After this the matter may then be pursued in the Luxembourg-based court.

Drift from the land gathers pace as 15,000 leave farming

By Bridget Bloom, Agriculture Correspondent

THE DRIFT from the land has gathered pace in Britain over the last year, with 2.2 per cent of the farm workforce or nearly 15,000 people leaving agriculture.

According to provisional figures from the annual agricultural census, taken in June, the exodus has been biggest among hired farm workers – the census reveals a 3.8 per cent decline in the number of regular workers and a 6.7 per cent drop in seasonal and casual workers.

The number of farmers, partners and directors doing farm work has remained at just under 78,000 over the last three years. The total UK farm workforce, including farmers, is put at 650,000 for 1989 compared with 665,000 last year and 672,000 in 1987.

Of the total UK agricultural area of 18.5m hectares, crops were sown on just over 5m ha last year while grassland covered about 6m ha. Rough grazing and woodland accounted for the remainder although the census notes a 41 per cent increase in "bare fallow" land, to 82,000 ha, presumably reflecting the set-aside programme for arable land introduced last September.

Although the total land allocated to cereals remained constant, wheat plantings were up by 12 per cent, with barley down 11 per cent. There were decreases in rapeseed, field beans and peas, among other crops, mainly it seems because of the price squeeze introduced in reforms of the European Community's common agricultural policy.

The UK dairy herd declined by 1.5 per cent, under the continuing influence of milk production quotas, although the beef breeding herd increased by 9 per cent.

The pig breeding herd was 4.5 per cent lower than a year ago while the sheep breeding flock increased by 5 per cent. The number of laying hens was down by 9 per cent, presumably reflecting the reduction in flocks following last winter's salmonella-in-eggs scare.

June 1989 Agricultural Returns. Government Statistical Service, Epsom Road, Guildford. Tel: 0483 68121.

Conflicting claims on Peru strike

By Kenneth Gooding, Mining Correspondent

THERE ARE conflicting claims about the effectiveness of the national miners' strike in Peru which started on Monday but the mine owners admit that it has brought to a halt work at two pits – Toquepala and Cuajone – which account for *two-thirds* of the country's copper production.

The mines are owned by Southern Peru Copper, the largest of the private groups. There have been only confusing reports about the situation at mines owned by Centromin, the largest state-owned company.

Officials suggested that between 40 per cent and 50 per cent of the workforce at Centromin's Cerro de Pasco complex were absent. The union, however, said operations were "paralysed."

Mine owners claim that nationwide only one-in-three miners observed the strike call in the early days of the strike and that support is waning. The Miners' Federation claims that support is 95 per cent and solid.

Reuter reports from Peru – which accounts for 11.5 per cent of the non-communist world's zinc supplies, 6 per cent of the lead and more than 5 per cent of the copper – indicate that, whatever the real figure, some important mines have been at a standstill while others are virtually unaffected.

According to Mr Luis Rodrigues-Mariategui, president of owners' organisation, the Mining Society, the duration of the strike will depend largely on whether violence erupts.

The stoppage could drag on for weeks or even months if the Shining Path guerrillas carry out threats to kill miners ignoring the strike call, he said.

"If there is no violence, then it could end fairly quickly," he added. But he refused to be drawn about how long it would take for miners to drift back to work.

On their side, union leaders have accused police and the military of occupying remote mining camps and terrorising workers in house-to-house searches for strike organisers.

They said 33 miners had been arrested in an effort by the authorities to dilute support for the strike.

"Miners are being subjected daily to repression from the forces of order . . . But the strike remains firm, with all the large mines paralysed," Mr Guillermo Diaz Soto, the Miners' Federation secretary, told Reuter.

Shrimps no longer small-fry in Ecuador

Adrian Barnett assesses the impact of the fast-growing industry

SHRIMP FARMING is a fast-growing business on the coast of Ecuador. In less than 20 years it has gone from being little more than a novelty to a vital component of the country's economy.

With fresh and frozen shrimp products worth some $350m a year, Ecuador has become the world's leading exporter of shrimp products. Since 1983 the industry has been second only to oil as an earner of foreign exchange.

Based on the native shrimp species *panaeus stylisorostris* and *panaeus vannanae*, the industry began in the early 1970s as an alternative to traditional shrimp fishing, which was bedevilled by fluctuating yields associated with the vagaries of the cold, nutrient-rich Humoldt Current.

Between 1970 and 1976 the area under shrimp farms increased 10-fold to 1,000 hectares. But things really took off in the early 1980s, with the arrival of big foreign investment in processing plant, and by 1986 the area was up to 100,000 hectares.

This extraordinary growth has restructured Ecuador's exports. In 1982 shrimps came fourth after petroleum, bananas and coffee. In 1983 a 42 per cent increase in volume to 17m kg earned $155m and moved it to second place. That position has been held ever since. Present production is about 25m kg a year and demand is still increasing.

However, there is a cocktail of attendant difficulties. About 95 per cent of production is exported to the US, and many producers are worried that this economic dependence could be used as a political lever.

Shrimp farms take up 89 per cent of the Guayas coastline

The industry employs an estimated 120,000 people and is seen as a saviour in the job-starved provinces of El Oro, Guayas and Manabi where the majority of farms are located.

As Ecuador's economy becomes increasingly chaotic (inflation has recently jumped from 15 per cent to about 80 per cent) concern about a US boycott hangs over the industry.

But the rapid expansion already has its victims. Traditional shrimp fishermen have seen their market share drop from 98 per cent of 1970's 1,178m kg to less than 2.5 per cent – a decrease in real terms of nearly 50 per cent.

The social cost has been high. Unable to retrain and unwilling to move away from their traditional villages the fishermen have found themselves victims of commercial opportunism. These social costs, combined with environmental damage have resulted in a broadly based call for rationalisation and control.

Of particular concern is the destruction of coastal mangroves to make way for the shallow ponds where the shrimp are farmed. Between 1969 and 1974 the mangrove cover in Manabi Province declined by 36 per cent. In Guayas Province, which formerly had 69 per cent of the country's mangroves, 89 per cent of the coastline is taken up by shrimp farms.

The mangroves provide an important function as stabilisers of tropical coastline and trappers of vital, nutrient-rich sediment.

In the Guayas River estuary dredges remove sediment threatening to clog the entrance to Guayagil, Ecuador's largest city and main port. Rates of sedimentation have increased significantly since the demise of the surrounding mangrove. In 1983, driven by huge storms and meeting no mangroves barrier, the sea inundated and salinated 80,000 hectares of prime agricultural land.

Mangroves also provide a nursery for commercially important fish species. Fishing co-operatives are reporting heavy declines in catches. They blame the loss of mangrove cover and the practice of stocking shrimp farms with wild-caught larvae taken from those few remaining areas of mangrove.

The Ecuadorian Government has responded to pressure and has legislated to control the industry's growth. However, with as much as 70 per cent of the farms operating without a licence, implementation will be difficult.

Fundacion Natura, Ecuador's main conservation body, believes that by failing to adopt a policy of rational and sustainable use of shrimp and mangrove resources only short-term gains will be maximised. It fears an ecological and social scenario similar to that of the Peruvian anchovy industry. There attempts to increase yields resulted in the collapse of the industry and a crash in the numbers of fish-eating seabirds whose guano provide valuable phosphate.

Sabotaged mine may reopen next month

By Chris Sherwell in Sydney

BOUGAINVILLE COPPER, the Papua New Guinea copper and gold mine shut down since May because of a sabotage campaign, could come back into operation at 75 per cent of normal production by the *beginning of September if the* security situation permits.

Announcing this yesterday, a cautious Mr Don Carruthers, the company's chairman, said power could be restored to the mine by the end of next week. But he stressed that production would only restart "if, after consultation with the security commander, we feel that it is safe to do so."

The mine halted production after an intensifying sabotage campaign against company personnel and property which began last November. The campaign is led by a militant group of disaffected landowners seeking up to Kina 10bn compensation for the mine's establishment and operation over the past 17 years.

Mr Carruthers, speaking at a Melbourne press conference following the release of reduced profit figures on Tuesday, said the company and mine had suffered no attacks since mid-July. But reports from Bougainville island this week indicate that unrest there continues.

Releasing details regarding Bougainville Copper's contracts, he confirmed that notices of *force majeure* had been issued for a total of 124,000 tonnes of copper concentrate between June and August.

These comprised 42,000 tonnes scheduled to go to Japan in June and July, 32,000 tonnes to Europe in August, and 50,000 tonnes to other Asian countries for July and August. The orders, he stressed, had been deferred, not cancelled.

He also indicated that a planned review by the Government and the company of the Bougainville Copper Agreement would not be starting in the short term. Talks were originally due last year, but the troubles now seem to have brought a postponement.

Both the Port Moresby Government and the company have offered to do more for the islanders, but so far to little avail. The island itself is under a state of emergency, with an estimated 400 soldiers and 120 police trying to quell the discontent. An estimated 39 people have died since November.

The mine's closure is meanwhile depriving the country of much-needed export earnings and has slashed the flow of royalty and tax revenues to the central and local governments.

Bougainville Copper is 53 per cent-owned by CRA, the Australian resources group, which is itself a 49 per cent-owned affiliate of RTZ of the UK. The Government has a 20 per cent stake, with the remainder publicly held.

WORLD COMMODITIES PRICES

LONDON MARKETS

CONCERN OVER supply tightness and nervousness about the situation in the strike-hit Peruvian mining industry pushed zinc prices up sharply on the London Metal Exchange yesterday. The cash quotation for high grade metal closed at $1,767.50 a tonne, up £72.50 on the day. Dealers also noted that bullish technical sentiment had encouraged speculative buying. The copper market was also influenced by the Peru factor and the cash position gained another £57 to £1,815.50 a tonne. Dealers said, however, that currency factors were distorting the copper market's price structure and that the three months price – £1,802.50 a tonne at last night's close – was entering a stiff resistance area running up to £1,820 a tonne. Lead ran into profit-taking after the three months price reached an 8-year high of £444 a tonne, but dealers remained bullish.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.10-5.20w	
Brent Blend	$17.05-7.10z	-.045
W T I (1 pm est)	$18.85-8.90z	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$198-200	-3
Gas Oil	$156-158	+1
Heavy Fuel Oil	$85-87	-
Naphtha	$152-154	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$365.25	-2.75
Silver (per troy oz)♣	521c	-3
Platinum (per troy oz)	$490.0	-8.75
Palladium (per troy oz)	$133.50	-1.75
Aluminium (free market)	$1745	-20
Copper (US Producer)	127¾-128	+2¼
Lead (US Producer)	39.5c	
Nickel (free market)	585c	-30
Tin (Kuala Lumpur market)	22.30r	-0.15
Tin (New York)	394	-6
Zinc (US Prime Western)	82¼c	
Cattle (live weight)†	116.39p	-1.59*
Sheep (dead weight)†	146.13p	-3.70*
Pigs (live weight)†	93.28p	+1.67*
London daily sugar (raw)	$344.4v	+9
London daily sugar (white)	$487v	+1
Tate and Lyle export price	£333.5	+5.0
Barley (English feed)	£104.75	
Maize (US No 3 yellow)	£130.75	
Wheat (US Dark Northern)	£128t	
Rubber (spot)♥	58.25p	+0.75
Rubber (Sep)♥	60.75p	+0.75
Rubber (Oct)♥	61.50p	+0.75
Rubber (KL RSS No 1 Sep)	233m	
Coconut oil (Philippines)§	$470t	
Palm Oil (Malaysian)§	$310x	
Copra (Philippines)§	$315	
Soyabeans (US)	£168w	-3
Cotton "A" index	82.15c	+0.60
Wooltops (64s Super)	596p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Dec. z-Sep. x-Nov/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Sep	838	846	845	837
Dec	898	904	907	895
Mar	868	877	877	866
May	878	885	885	876
Jul	894	898	898	891
Sep	906	913	915	905
Dec	930	935	935	926

Turnover: 5593 (4917) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 16 1046.11 (1052.71) :10 day average for Aug 17 1067.88 (1073.90)

COFFEE £/tonne

	Close	Previous	High/Low	
Sep	750	743	765	747
Nov	754	747	768	749
Jan	772	766	787	769
Mar	787	782	804	786
May	812	799	820	808
Jul	833	821	840	827

Turnover: 1817 (1970) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 16: Comp. daily 66.39 (67.68). 15 day average 69.54 (70.01)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	301.80	305.60	307.60	301.00
Dec	293.00	297.00	294.00	
Mar	283.80	287.40	289.40	283.00
May	279.00	284.00	283.80	278.00
Aug	273.60	278.00	276.20	
White	**Close**	**Previous**	**High/Low**	
Oct	407.00	408.00	409.00	405.00
Dec	368.00	370.00	368.00	368.00
Mar	358.00	358.00	358.00	355.00
May	353.00	355.00	354.00	351.50
Aug	349.00	352.00	351.00	349.00

Turnover: Raw 2482 (3697) lots of 50 tonnes. White 536 (1258).
Paris- White (FFr per tonne): Oct 2579, Dec 2435, Mar 2390, May 2345, Aug 2335, Oct 2305.

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Oct	16.89	16.97	17.02	16.86
Nov	16.79	16.84	16.90	16.77
IPE Index	16.95	16.91		

Turnover: 6712 (4482)

GAS OIL $/tonne

	Close	Previous	High/Low	
Sep	154.50	153.25	155.50	154.25
Oct	153.00	151.75	153.75	152.50
Nov	152.25	151.75	153.00	151.75
Dec	152.75	151.75	153.50	152.25
Jan	150.25	150.50	151.50	150.25

Turnover 10375 (8190) lots of 100 tonnes

FRUIT AND VEGETABLES

Homegrown Discovery apples are abundant 25-40p a lb (25-45p) and Spartan plums are also more widely available 40-55p (50-70p), reports FFVIB. New arrivals include homegrown Victoria plums 45-55p and Carmel pomegranates 50-60p each, while the price of peaches 30-40p a lb are unchanged. Homegrown parsnips 30-40p and swedes 25-35p are now in the shops, as are Italian leeks 60-80p. Homegrown sweetcorn is abundant at 25-40p a cob and courgettes 25-50p a lb. Salad supplies remain excellent with tomatoes 30-50p, watercress 30-40p a bunch, Iceberg lettuce 50-80p each and cucumbers 40-75p.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 12,025 tonne
Cash	1762-4	1750-3		1742-4		
3 months	1762-4	1756-8	1765/1735	1750-5	1756-7	29,357 lots
Copper, Grade A (£ per tonne)						Ring turnover 31,450 tonne
Cash	1815-6	1758-9	1812/1778	1778-9		
3 months	1802-3	1748-9	1807/1760	1768-8.5	1798-9	70,493 lots
Lead (£ per tonne)						Ring turnover 8,600 tonne
Cash	448-8.5	440-7	448/444	444-5		
3 months	439-0.5	437-8		436-6.5	438-9	10,784 lots
Nickel ($ per tonne)						Ring turnover 1,710 tonne
Cash	12700-50	13150-250	12800/12750	12750-800		
3 months	12025-50	12300-400	12300/11900	12200-1	11950-2000	5,242 lots
Tin ($ per tonne)						Ring turnover 540 tonne
Cash	8520-40	8630-50	8625/8520	8520-5		
3 months	8650-75	8770-80	8700/8650	8650-75	8660-70	5,579 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 21,450 tonne
Cash	1890-900	1800-10		1880-5		
3 months	1737-8	1671-3	1740/1680	1725-30	1730-5	11,211 lots
Zinc ($ per tonne)						Ring turnover 2,650 tonne
Cash	1765-70	1690-700	1770	1765-70		
3 months	1665-70	1607-10	1680/1660	1655-70	1670-5	7,353 lots

LME Closing £/$ rate:
SPOT: 1.5600 3 months: 1.5420 6 months: 1.5238 9 months: 1.5109

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	140.0	139.0	139.0	135.0
Feb	167.0	160.0		
Apr	218.5	214.8	217.5	211.5
May	236.0	236.0	233.0	

Turnover 380 (435) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Oct	135.50	135.50	
Dec	137.00	136.00	
Feb	141.00	140.00	

Turnover 602 (63) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Aug	1430	1440	1435	1430
Sep	1486	1512	1505	1486
Oct	1557	1568	1565	1550
Jan	1635	1605	1595	1592
Apr	1624	1627	1625	
Jul	1420	1415	1410	
BFI	1421	1417		

Turnover 146 (78)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	107.25	107.60	107.50	107.25
Nov	110.00	110.60	110.40	110.00
Jan	113.00	113.40	113.35	113.00
Mar	115.90	116.25	116.30	116.00
May	118.90	118.45	118.20	118.00
Jun	120.75	121.25	120.75	
Barley	**Close**	**Previous**	**High/Low**	
Sep	102.55	102.70	102.55	102.50
Nov	105.40	105.65	105.45	105.40
Jan	108.45	109.65	109.45	109.40
Mar	112.00	112.40	112.10	112.00
May	114.10	114.45		

Turnover: Wheat 226 (134), Barley 100 (53).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	118.0	115.5	
Oct	120.0	120.0	120.0
Nov	120.0	120.0	
Feb	116.0	114.0	114.0
Apr	115.0	114.5	114.5

Turnover 38 (50) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	365-365½	234-234½
Opening	365¼-366¼	233-233½
Morning fix	366	233.85
Afternoon fix	364.6	233.73
Day's high	366-366½	
Day's low	363¾-364¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	376-381	241-244
Britannia	376-381	241-244
US Eagle	376-381	241-244
Angel	374-379	
Krugerrand	364-367	233½-235½
New Sov.	85-87	55-55½
Old Sov.	86-87	55-55½
Noble Plat	487-494.75	312.7-317.85

Silver fix	p/fine oz	US cts equiv
Spot	329.20	518.00
3 months	340.60	529.70
6 months	351.40	540.50
12 months	372.60	563.15

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1700	84	103	10	39
1800	26	52	51	87
1900	4	23	129	155
Copper (Grade A)	**Calls**		**Puts**	
2700	144	164	25	69
2800	81	115	61	149
2900	39	79	118	209

LONDON FOX TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
700	81	113	27	41
750	65	85	48	63
800	31	63	77	91
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
850	75	84	27	67
900	48	58	50	91
950	28	38	[illegible]	[illegible]

US MARKETS

IN THE METALS, gold prices slipped as a strong US dollar weighed on the market, reports Drexel Burnham Lambert. Silver posted modest gains from fund and local buying and buy stops. Fund buying and buy stops rallied copper prices by 440 points basis September. In the softs, massive liquidation ahead of first notice day for September depressed cocoa futures. Sugar trading was less hectic than previous sessions as prices closed mixed. Coffee was featureless. The grains continued to have quiet dealings as many traders focus attention on the weather in US growing regions. Commission house activity kept cotton firm. The livestocks were all higher, led by rallies in the pork belly and cattle markets. Carry-over buying was seen in the pork bellies as prices advanced 40 points basis February. A friendly cattle-on-feed report Wednesday lifted futures 60 points basis October. Live hogs firmed on spill-over buying from the cattle and bellies. The energy complex broke out of its narrow trading range as heavy trade selling weakened the markets.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	363.3	366.2	365.5	366.0
Sep	365.8	368.5	367.5	366.5
Oct	370.6	370.8	372.0	369.0
Dec	374.6	374.7	375.8	373.1
Feb	382.2	382.2	383.3	379.1
Apr	386.1	386.1	385.0	385.0
Jun	389.8	389.8	388.0	388.0
Aug	393.5	393.5	391.7	391.7

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	481.9	493.8	0	0
Sep	484.1	493.1	0	0
Oct	486.4	489.1	492.0	482.0
Jan	490.2	492.1	495.0	486.5
Apr	494.2	494.4	497.0	490.0
Jul	498.0	499.4	500.0	498.5
Oct	501.9	503.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	524.6	518.8	0	0
Sep	526.5	520.7	529.5	517.0
Oct	530.4	524.8	0	0
Dec	538.2	533.3	542.0	529.0
Jan	542.5	536.8	0	0
Mar	551.1	545.1	555.0	542.0
May	559.1	553.0	0	0
Jul	567.5	561.3	0	0
Sep	575.9	569.6	579.0	576.0
Dec	587.9	581.6	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 16	Aug 15	mnth ago	yr ago
1880.8	1867.8	1829.7	1850.7

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.04	128.97	128.09	132.41
Futures	129.25	129.27	128.23	135.01

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	126.75	122.25	126.80	126.80
Sep	126.25	121.85	126.50	122.60
Oct	125.00	121.10	0	0
Dec	122.50	119.60	123.00	120.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	18.68	18.97	19.15	18.66
Oct	18.37	18.49	18.62	18.35
Nov	18.19	18.28	18.36	18.17
Dec	18.12	18.13	18.24	18.09
Jan	18.03	18.02	18.11	18.00
Feb	17.94	17.92	17.95	17.93
Mar	17.92	17.81	17.92	17.83
Apr	17.86	17.77	17.86	17.80
Jun	17.83	17.73	17.86	17.79

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	5095	5115	5170	5090
Oct	5165	5181	5240	5155
Nov	5230	5250	5300	5225
Dec	5295	5319	5363	5295
Jan	5312	5339	5370	5310
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	5050	5049	5085	5010
Apr	4875	4864	4875	4875
May	4750	4749	4750	4750
Jun	4680	4669	4680	4660

COCOA 10 tonnes;$/tonne

	Close	Previous	High/Low	
Sep	1180	1207	1199	1171
Dec	1208	1238	1230	1204
Mar	1230	1247	1259	1226
May	1256	1285	1261	1225
Jul	1241	1276	1260	1245
Sep	1260	1291	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	77.05	77.17	78.75	76.90
Dec	79.11	79.25	80.30	78.90
Mar	81.50	81.23	82.96	81.30
May	83.40	84.33	84.75	83.40
Jul	85.60	86.60	86.50	85.50
Sep	87.20	89.35	88.60	87.20
Dec	91.10	91.23	91.25	91.10

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	13.69	13.85	13.84	13.56
Jan	12.00	11.96	0	0
Mar	12.50	12.68	12.57	12.71
May	12.47	12.61	12.50	12.45
Jul	12.22	12.43	12.45	12.25
Oct	12.06	12.13	12.18	12.00

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	73.75	74.00	75.15	73.76
Dec	74.75	74.81	75.51	74.70
Mar	75.81	75.83	76.60	75.81
May	76.40	76.20	76.90	75.95
Jul	76.40	76.18	77.00	76.40
Oct	68.00	67.95	68.12	68.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	150.35	150.10	150.90	150.10
Nov	145.25	145.25	145.75	144.75
Jan	142.25	143.00	143.10	141.50
Mar	141.25	141.00	141.30	141.00
May	140.25	140.00	140.50	140.00
Jul	139.25	139.00	0	0
Sep	138.25	138.00	0	0
Nov	138.25	138.00	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	606/0	623/4	626/0	603/4
Sep	584/0	580/4	585/4	578/0
Nov	575/4	572/4	579/0	569/4
Jan	584/6	580/4	587/4	579/0
Mar	594/4	590/4	597/0	589/0
May	603/0	598/4	605/0	598/4
Jul	607/4	603/0	610/0	604/4
Aug	600/0	597/0	603/0	597/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	17.81	17.78	17.86	17.62
Sep	17.91	17.69	17.95	17.71
Oct	18.15	18.15	18.20	17.94
Dec	18.55	18.57	18.63	18.39
Jan	18.81	18.80	18.90	18.65
Mar	19.15	19.16	19.25	19.09
May	19.42	19.50	19.55	19.42
Jul	19.65	19.80	19.80	19.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	209.5	208.5	209.0	203.5
Sep	189.4	190.5	190.5	188.0
Oct	181.6	181.8	182.5	180.0
Dec	180.7	180.2	181.6	178.5
Jan	180.7	180.6	181.7	179.0
Mar	181.6	181.8	182.5	180.0
May	182.5	182.6	183.0	181.0
Jul	185.0	184.7	185.0	183.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	226/6	225/0	226/0	223/4
Dec	236/0	235/2	236/0	233/4
Mar	244/2	244/4	246/4	244/0
May	249/6	250/4	251/6	249/2
Jul	251/4	251/2	253/0	250/4
Sep	240/0	244/4	244/4	242/4
Dec	238/4	243/2	244/4	240/4
Mar	233/4	237/0	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	397/2	399/2	397/4	395/0
Dec	412/0	413/6	413/0	410/4
Mar	419/4	418/4	419/4	416/0
May	404/0	408/0	405/4	402/4
Jul	370/0	372/6	371/4	369/0
Sep	373/4	377/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	73.95	74.07	74.25	73.90
Sep	74.80	74.80	0	0
Oct	75.20	75.30	75.82	75.20
Dec	74.25	73.92	74.40	73.87
Feb	74.47	73.95	74.52	74.05
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	72.30	72.25	72.37	72.10
Aug	71.00	70.85	71.00	70.75

LIVE HOGS 30,000 lb; cents/lb

	Close	Previous	High/Low	
Aug	47.65	47.15	47.95	47.35
Oct	40.87	40.62	41.15	40.60
Dec	42.20	41.97	42.57	41.92
Feb	43.17	43.25	43.45	42.95
Apr	40.67	40.55	41.10	40.60
Jun	43.90	43.80	44.30	43.85
Jul	44.25	45.55	44.50	44.20
Aug	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	28.77	26.82	27.90	26.70
Feb	41.87	41.57	43.00	41.60
Mar	42.17	41.60	42.97	41.80
May	43.00	42.57	44.10	42.80
Jul	43.80	42.57	44.15	42.90
Aug	43.00	42.67	44.15	42.90

LONDON STOCK EXCHANGE

Equities close well below their best

THE UK stock market closed just below its year's high yesterday although share prices ended well down on the day's best levels after another impressive display of regained confidence.

The market rose strongly during the first half of the session, backed up by a smaller increase in June domestic wage levels than expected, but it lost momentum as Wall Street made a somewhat uncertain response to the latest US trade figures.

Equities opened sharply higher, with the aftermath of Wednesday's advance outweighing a slow performance from Wall Street overnight.

Account Dealing Dates			
First Dealings:	Jul 31	Aug 14	Sep 4
Option Declarations:	Aug 10	Aug 31	Sep 14
Last Dealings:	Aug 11	Sep 1	Sep 15
Account Day:	Aug 21	Sep 11	Sep 25

*New time dealings may take place from 8.00 am two business days earlier

Shares moved ahead on modest and very selective institutional demand, receiving a further boost from the disclosure that UK wages showed an underlying rise of 9 per cent in June, compared with expectations of a 9.5 per cent gain. A modest fall in unemployment (seasonally adjusted) left unchanged the market's view that the UK economy is slowing down, and thus reducing upward pressure on interest rates.

At best the FT-SE Index was nearly 30 points ahead at 2,374.8. Results from British Telecom and Royal Insurance helped sentiment, but the pace slackened as sterling eased.

The market was clearly nervous at its own success in recovering so quickly from Monday's shakeout, and share gains quickly proved vulnerable when the US markets lent only cautious support to an optimistic response in London to the US trade figures; the deficit of only $8.17bn on US trade in June compared with forecasts of $9.3bn in the City.

As soon as it was seen that Wall Street was opening lower, profit-takers moved in on UK blue chips. Selling was fairly hefty at one time, and the FT-SE Index quickly gave back more than half its early gain. The final reading, which was a touch above the worst, showed the Index with a net gain of 14.2 points at 2,360, just 0.4 below the previous 1989 peak reached a week last Tuesday when equities were pumped ahead by speculative activity.

Seaq volume yesterday reached 544.3m shares compared with Wednesday's total of just over 450m. Traders commented that the swift about-turn in the afternoon suggested that much of the business was opportunistic rather than of genuine institutional origin.

The closing picture was somewhat ragged, with ICI again a dull feature, in contrast to British Telecom. Market strategists are looking for signs that the widely-forecast economic slowdown is beginning to bite into corporate profitability. At Prudential-Bache, Mr John Reynolds commented that the pound's recent performance has disappointed some market strategists who believe that this will continue to restrain optimism for an early reduction in base rates.

FINANCIAL TIMES STOCK INDICES

	Aug 17	Aug 16	Aug 15	Aug 14	Aug 11	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	87.58	87.42	87.24	87.46	87.32	87.78	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.72	97.63	97.59	97.66	97.67	97.59	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1975.0	1961.8	1947.8	1950.3	1969.6	1478.2	1975.0 (17/8)	1447.8 (3/1)	1975.0 (17/8/89)	49.4 (26/6/40)
Gold Mines	203.8	205.2	201.4	199.7	200.7	187.8	206.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2360.0	2345.8	2326.2	2325.9	2354.2	1833.9	2360.4 (9/8)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)

	Aug 17	Aug 16	Aug 15	Aug 14	Aug 11	Year Ago
Ord. Div. Yield	4.01	4.02	4.06	4.05	4.01	4.62
Earning Yld %(full)	9.58	9.64	9.73	9.72	9.61	11.66
P/E Ratio(Net)(☆)	12.58	12.50	12.38	12.40	12.55	10.44
SEAQ Bargains(5pm)	28,903	25,168	25,282	32,148	36,933	19,823
Equity Turnover(£m)†	-	763.05	901.27	909.74	1160.63	786.68
Equity Bargains†	-	21,840	26,995	33,997	37,297	21,133
Shares Traded (ml)†	-	315.3	385.5	336.0	489.9	312.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928. Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 12.45.

Ordinary Share Index, Hourly changes Day's High 1987.4 Day's Low 1972.2

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1979.7	1976.9	1974.5	1975.9	1980.8	1986.9	1978.7	1973.4

FT-SE, Hourly changes Day's High 2374.8 Day's Low 2356.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2361.4	2360.0	2359.6	2360.8	2368.3	2374.2	2365.2	2357.9

S.E. ACTIVITY

Indices	Aug 16	Aug 15
Gilt Edged Bargains	93.6	92.6
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5-Day average		
Gilt Edged Bargains	94.8	96.5
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0836 123001

Telecom beats the market

Results for the first quarter from British Telecom were above market expectations, and the gain in the shares was restrained only by some doubts about the near term outlook. Growth is still continuing strongly, with international expansion "stunning", according to Mr Patrick Hickey at Henderson Crosthwaite.

The market noted that the next quarter's trading will take in the outcome of the wage round, although the effects will be balanced later by planned price increases. The shares closed 7½ higher at 259p, with 24m shares traded.

Most marketmakers had taken a bearish stance ahead of the trading report, and traders sounded uncertain on the current attractions of the shares to investment funds. The signs of an economic slowdown in the UK have begun to affect cyclical share sectors, and some analysts suggest that British Telecom could suffer for similar reasons.

Relief over Royal

Better than expected profits and dividend news for the half year attracted buyers to Royal Insurance, the UK composite group. The market had feared a larger fall than the 22 per cent decline in interim earnings to £119.6m announced by Royal, while the increase in the dividend from 9.5p to 10.75p was larger than most City forecasts. Relief at the figures turned into steady buying and by the close Royal were 11 better at 444p on turnover just shy of 5m shares.

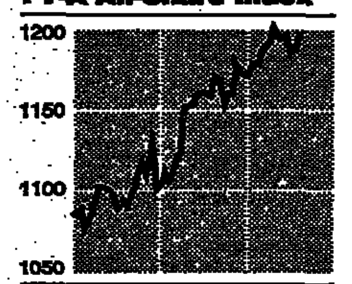
Analysts said improvements in the performance of UK business and a sharp rise in investment income caught them by surprise, although concern was expressed about the size of the dividend increase, some researchers asking if it was prudent. However, upgrades of brokers' full-year forecasts are now expected; Mr Simon Willis of County NatWest WoodMac has already increased his, by £10m to £240m.

The outlook for Royal shares remains positive, with the price underpinned by the 6.7 per cent stake held by Australian group Adelaide Steamship. Mr Steven Bird of Smith New Court is one analyst who believes Royal looks an attractive buy. European corporate activity, particularly in France where Compagnie du Suez has bid for Groupe Victoire (once a target of Royal's) "emphasises the cheapness of the UK composites," said Mr Bird. And if nothing happens on the corporate front, Royal shareholders will be compensated by a 1990 prospective yield of 8.3 per cent.

Cables to US

One of the few leaders to hold its best price at the close

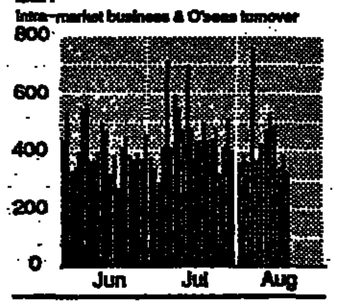
FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)

Excl: intra-market business & O'seas turnover



was Cable & Wireless (C&W) as London responded to hints that an issue of American Depositary Shares (ADS), expected next month, could find a strong welcome in US markets. An ADS issue by the group, effectively raising new cash, would raise the company's profile in the international communications markets.

A leading US house is believed to be recommending the shares in New York, predicting that the share price could reach 650p, with the outlook for Mercury International, the UK telephone subsidiary, a premium factor. The shares closed 12 up at 584p yesterday. Turnover of 6.4m shares was mirrored by heavy activity in the traded options sector.

LASMO firm

Two analysts produced detailed buy circulars on LASMO as the stock put in a firm performance compared with the ebbs and flows of much of the rest of the FT-SE 100.

Both Mr Keith Morris, of Kitcat and Aitken, and Mr Jim Henderson, of BZW, said the company's oil exploration plans held great promise. Mr Morris said production would double by 1995 and profits more than double over the same period. "New oil production is designed to be economical in a period of lower oil prices, and is therefore more profitable than existing fields," he said.

The analysts said that Lasmo was looking increasingly good against other exploration companies especially Enterprise, which is involved in legal action with British Gas over North Sea oil assets. Mr Henderson said that the price of another upstream major, Premier, already discounted much of the drilling in Thailand and Papua New Guinea due later this year. He looked forward to LASMO's interim figures on September 13 saying that there might be an announcement about prospects in the Far East or Australia.

LASMO touched a high of 511p before finishing at 507p, a net improvement of 7. Premier firmed a penny to 111p while Enterprise eased a touch to 585p.

Fears that limited approval might yesterday have been given to a possible rival to Wellcome's Aids drug Retrovir proved unfounded. Bristol-Myers, maker of the rival DDI revealed that it had simply applied to the US Food and Drug Administration for such approval. Mr Steve Plag, a long-standing Wellcome bull, said that even if DDI were to get limited approval, "it will represent no threat whatsoever to Wellcome's Retrovir . . . because DDI will only be allowed to be used where Retrovir has failed."

Consideration of the disappointing results, earlier this week, from West German chemical giant Hoechst, undermined ICI, down 7 at 1281p. Mr Martin Evans, at BZW, said he was positive on the stock in the long term but that in the short and medium term ICI would continue to suffer from bouts of nervousness "until there is a better indication of the depth of the downturn in petrochemicals and bulk chemicals." The third quarter figures, due near the end of Octover "will be awaited with nervous interest by the market", he said, adding that clients should look for opportunities to topslice overweight holdings.

Marketmakers rejected stories yesterday that one of the reasons for the current strength of Rothmans International was the possibility of an imminent deal between major shareholders Philip Morris and Richemont. Should either group decide to sell its stake, the other has right of first refusal. Rothmans shares continued their heady advance yesterday, gaining 12 further to 663p, and it was more noticeable that investors were reluctant to part with stock.

"Rothmans is a worldwide brand name and its break-up value is worth a good deal more than the current share price", commented a trader.

Banks were squeezed higher by stock shortages and rather vague takeover speculation, particularly Lloyds, up 9 at 392p, Midland, up 8 at 352p and NatWest, up 7 at 341p. Further consideration of Wednesday's figures and bid hopes helped Standard Chartered add 13 at 550p on turnover of 2.8m shares. Abbey National continue to move ahead steadily, closing another 2 better at 149p as 11m shares changed hands.

Among insurers a broker's recommendation to switch out of General Accident into Sun Alliance saw the former lose 19 at 1010p and the latter put on 7 at 314p, while life group Pearl rose 9 to 509p amid further speculation about the intentions of Australian stakeholder AMP.

Scottish & Newcastle, initially hit by the lack of developments over the Thistle Hotels sale and the absence of news about the Elders IXL stake, recovered from a low of 396p to close a net 6 higher at 409p on turnover of 4.4m shares. The market still believes that Elders will reveal the sale of half or all of its 23.6 per cent stake soon.

Hotels group Queens Moat regained all of the ground lost on the midweek announcement of its rights issue as brokers' recommendations lifted the price 5 to 120p.

Tarmac lost more ground as the recent large seller tried to complete his business and at the close were 6 off at 287p after turnover of 5.4m shares. George Wimpey was the only other feature in the sector, moving higher on revived speculation about the Grove Charity stake, which holds the key in any takeover situation, before drifting back to end only 4 up at 270p.

Stores were quietly traded, although consistent institutional support left Marks & Spencer up 4 at 218p on turnover of 3.6m shares.

Less than glowing press comment on Wednesday's figures lopped 4 off W H Smith "A", at 340p; the retail team at County NatWest WoodMac has moved the stock from a "hold" to a "sell". European Home Products shed 12 at 178p after revealing a 22 per cent fall in half-year trading profits, although at one stage the shares were as low as 173p.

GKN continued to firm on the back of recommendations from BZW and County NatWest WoodMac. It closed 13 better at 471p in good two-way turnover.

A story that TI Group would "do a BTR" and sell off a stake — 10 per cent at 550p were the figures mentioned — to a single investor, did the rounds again. It was enough to send the stock climbing steadily through the afternoon to close 11 better on the day at 483p on volume of 914,000 shares.

Lada importer Western Motor leapt ahead on news of a possible management buy out. Mr Andrew Bowers, analyst at Manchester broker Charlton Seal, said that it was unlikely that a bidder would be flushed out because of the close ties between the company's management and the Soviet Union where Lada Cars are made. Western closed 164 up at 818p.

In spite of last week's downgradings Hillsdown were in fine form, putting on 6 at 305p as steady buying pushed total turnover to 5m shares. Hoare Govett, the company's broker, believes the stock has been oversold recently on worries about the performance of the group's non-food divisions, particularly housebuilding and property.

Hoare says that because Hillsdown's subsidiaries specialise in nice markets — the building of low-cost houses and the development of mixed sites in provincial towns — the group should be protected against the worst effects of the slump in property prices.

A comprehensive review of motors by the research team at County NatWest WoodMac had a particular impact on one or two leading stocks. While believing that the short-term ride could be a little bumpy, the securities house expects current discounts to narrow because many companies are better placed than the modest ratings suggest. Its overall view is long-term positive.

CNWM urges investors to build up their weightings in anticipation of exciting times over the next two or three years. It pinpoints Jaguar, saying the group is worth considerably more than the current share price to several of the world's major car manaufacturers. Helped also by talk that a US house was preparing a covered warrants issue, the shares responded yesterday with a rise of 13 to 407p.

Lucas Industries, up 12 at 715p, earned special mention for its non-automotive earnings - ie the Aerospace and Industrial divisions - while Lex Service benefited from the view that a 40 per cent discount is excessive.

Further bid speculation lifted Slough Estates to 405p, but with little to go on dealers marked the price back down to 393p, leaving a rise of 15 on the day. The talk so far has been of a North American bid, but dealers said that there has been some recent European interest in Slough.

There were sympathetic rises throughout the rest of the property sector on the back of Slough, notably in Priest Marians, up 22 at 514p; Mr Simon Fussell, the recently ousted chairman of the group has a 25 per cent stake and analysts believe he could attempt to regain control of Priest Marians via a bid.

An analyst said: "Warburg has placed 10 per cent of the Kuwait Investment Office's 25 per cent stake in Exploration Company of Louisiana." He said the price was 250p, putting a price tag on the placing of about £20m. Warburg refused to comment on the suggestion.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 22

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,680	280	-1½	Cons. Gold Fields	19	1483		Legal & General	1,808	344	-2	Royal Insurance	4,980	444	+11
Abbey National	11,008	149	+2	Cookson	2,500	380	+1	Lloyds Bank	1,175	392	+9	STC	1,450	370	+4
Allied-Lyons	2,980	540	-4	Courtaulds	1,100	369		LASMO	1,300	507	+7	Saatchi & Saatchi	1,800	321	+6
Amstrad	3,680	74		Dalgety	125	414	-1	Lonrho	2,100	297	+1	Sainsbury	633	235½	+2½
Argyll Group	2,900	240	+3	Dixons	1,850	166	-1½	Lucas	1,400	715	+12	Scot & Newcastle	4,400	409	+6
Ass. Brit. Foods	296	389	+4	Eng. China Clays	428	487	+2	MB Group	1,008	215	+3	Sears	5,200	127	
BAA	934	356½	-1½	Enterprise Oil	811	584	-1	MEPC	428	593	+4	Shell Transport	1,500	437	+3
BAT Inds.	1,000	817	-6	Fisons	1,600	348	+1	Marks & Spencer	3,600	218	+4	Siebe	489	534	+2
BET	636	313	+1	General Accident	1,008	1010	-19	Maxwell Comm.	77	193	-1	Slough Ests.	1,950	393	+15
BICC	551	545	-3	General Elect.	4,200	277	+1½	Midland Bank	3,300	352	+8	Smith & Nephew	3,400	142½	-½
BOC	2,680	536½	+9½	Glaxo	781	1530	+14	Nat. West. Bank	4,700	341	+7	SmithKline Beecham	3,150	580	+1
BPB Inds.	1,480	252	+1	Globe Inv.	523	197½	-½	Next	1,400	135		Smiths Industries	320	309	+2
BTR	5,100	470	+8	Glynwed Int.	112	312	+4	Northern Foods	228	349	+3	Standard Chartered	2,795	550	+13
Babcock Int.	1,000	124	-1	Granada	108	376	+3	Pearl	358	509	+9	Storehouse	3,800	134	-2
Barclays	1,800	521	+4	Grand Met.	2,400	640	+9	Pearson	524	810		Sun Alliance	2,700	314	+7
Bass	577	1110	+14	GUS A	191	1074	+9	P & O	987	688	+8	T&N	568	255	+3
Blue Circle	1,600	265	-1	GRE	887	216	-1	Pilkington	3,700	257	+6	TSB	2,700	111	+3
Boots	835	288	+1	GKN	2,700	471	+13	Plessey	304	267	+1	Tarmac	5,375	287	-6
Brit. & Comm.	1,200	183	+2	Guinness	3,200	598	+1	Polly Peck Intl.	367	294	+1	Tate & Lyle	982	297	
Brit. Aerospace	450	707	+2	Hammerson 'A'	205	800	+8	Prudential	1,150	204½	+½	Taylor Woodrow	531	292	-1
British Airways	6,300	201	+1	Hanson	5,180	234½		RHM	318	458	-2	Tesco	4,400	212½	+2
British Gas	6,400	211½	-½	Harrisons & Cros.	2,100	169	+1	RMC	292	757	-2	THORN EMI	1,100	823	+6
British Land	1,400	384	+5	Hawker Siddeley	936	768	+15	RTZ	2,700	560	+2	Trafalgar House	2,900	405	+5
BP	4,700	294½	-1	Hillsdown Hldgs.	5,000	305	+6	Racal	1,950	214	+1	Trusthouse Forte	2,200	348	-2
British Steel	11,478	75	+1½	IMI	1,760	242	+2	Rank Org.	828	989	+7	Ultramar	1,300	336	-1
British Telecom	24,000	259	+7½	Imp. Chem.	1,408	1281	-7	Reckitt & Colman	264	1206	-4	Unilever	712	651	+7
Burmah Oil	568	661	+8	Inchcape	825	296	+1	Redland	413	576	+3	United Biscuits	4,000	391	+4
Burton	1,300	250	+3	Jaguar	2,480	408	+13	Reed International	2,400	467	+7	Utd Newspapers	1,100	501	
Cable & Wireless	6,400	584	+12	Kingfisher	2,800	337	-2	Reuters	519	979	-9	Wellcome	1,700	509	-2
Cadbury Schweppes	2,500	418	-5	Ladbroke	1,200	329	-3	Rolls Royce	3,200	186	-1½	Whitbread 'A'	919	378	-5
Carlton Comms.	358	855	+5	Land Securities	671	600	+3	Rothmans	1,000	663	+12	Williams Hldgs.	701	268	-1
Commercial Union	1,400	412		Laporte	143	495	+6	Royal Bk of Scotland	489	430	+3	Wimpey	597	270	+4

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (157).
BRITISH FUNDS (17) AMERICANS (14) CANADIANS (3) BANKS (5) BREWERS (7) BUILDINGS (2) CHEMICALS (2) STORES (3) ELECTRICALS (12) ENGINEERING (4) FOODS (5) HOTELS (1) INDUSTRIALS (21) Alexandra W'kwear, Alfa-Laval AB "B", BOC, BTR Wrnts, Bader Intl., Brierley Invs., Cookson, Fletcher Chlnge, Hornby, Huntingdon Intl., IWP, Johnson Cleaners, Mosaic Invs., Norfolk House, Portmerion Potts, Ramco Oil, Sothebys Class A, St. Gobain, Trafalgar House, Unilever, Wilkes (J), INSURANCE (3) LEISURE (3) MOTORS (2) NEWSPAPERS (2) PROPERTY (11) TEXTILES (1) TOBACCOS (1) TRANSPORT (1) TRUSTS (62) OILS (6) OVERSEAS TRADERS (1) MINES (4) THIRD MARKET (2).

NEW LOWS (36).
INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) CANADIANS (1) BUILDINGS (3) STORES (4) ELECTRICALS (5) INDUSTRIALS (7) Amer Gp., C'bell & Armstrong, NMW Computers, Quotient, Rexmore, Sharp & Law 8½pc Pf., Silentnight. MOTORS (1) PAPERS (2) PROPERTY (1) TEXTILES (1) TRUSTS (3) MINES (1) THIRD MARKET (1).

APPOINTMENTS

Promotions at Air Call

■ AIR CALL COMMUNICATIONS, a BellSouth subsidiary, has promoted Ms Anne Kane to managing director of Air Call International. She is succeeded as managing director, Air Call Paging, by Mr Peter Burridge, who was general manager, mobile radio services division.

■ HAFNIA MERCHANT BANK has appointed Mr H. Baroudy as general manager from September 1. He was general manager and head of treasury at Copenhagen Handelsbank.

■ Mr D.R. Diggins has been appointed a director of STERLING INDUSTRIES.

■ Mr Christopher Davidge, managing director of Christies International, is joining the board of REA BROTHERS as a non-executive director. Lord Dartmouth is retiring from the group.

■ Mr Michael Thompson has been appointed to the group executive board of B. ELLIOTT as chairman of the specialist engineering division from September 1. He was plant manager at Ford's Dagenham works.

■ SOFTWARE PUBLISHING CORP, Yiewsley, has appointed Mr David McDonald as director of European business development. He was director of business development at Lotus Corp.

■ Mr Michael J. Riley, managing director of Michael Riley & Partners, and Mr Kenneth J. Wharton, director of marketing, both join the main board of THE MERSEY DOCKS & HARBOUR CO.

■ BRITISH GAS has appointed Mr Geoff Reed as exploration manager (Middle East, Asia and Australasia). He was chief geologist. Mr Alan Levinson becomes exploration manager, Houston, Texas, covering the Americas and Africa. He was manager of development geology.

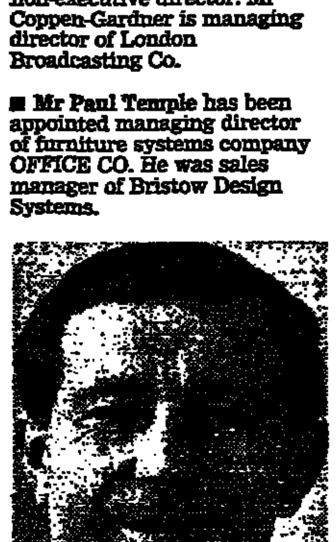
■ Mr Lyndon Rees has been appointed a director of LARPENT NEWTON & CO. He was the manager responsible for corporate planning and development for the Dodwell Group in the Far East.

■ KIDDER, PEABODY & CO has appointed Mr Nigel B. Christie as a managing director and head of the investment banking unit's London mergers and acquisitions group. He was a managing director of S.G. Warburg & Co where he was responsible for North American M&A work. He will initially work in New York, moving to London later in the year.

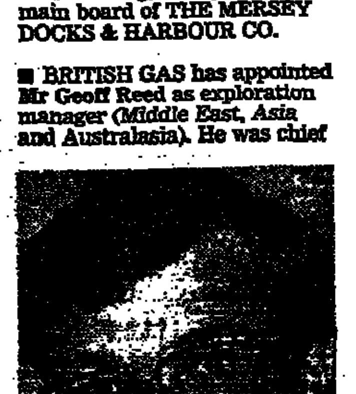
■ FAIRMOUNT HURST, Leatherhead, has acquired Peter Warne & Co, Guildford, which becomes Fairmount Hurst Warne. Mr Brian Hurst becomes chairman, Mr Peter Warne managing director, and Mr Charles Bellringer finance director. Mr Warne joins the board of Fairmount Hurst.

■ Mr C.W.E. Coppen-Gardner has been appointed managing director-designate of HOME COUNTIES NEWSPAPERS HOLDINGS. He joins the group in early November, and will succeed Mr P.D. Mackay on January 1 when Mr Mackay retires and becomes a non-executive director. Mr Coppen-Gardner is managing director of London Broadcasting Co.

■ Mr Paul Temple has been appointed managing director of furniture systems company OFFICE CO. He was sales manager of Bristow Design Systems.



Mr Alan Stark (above) has been promoted to senior vice president and managing director of AMERICAN EXPRESS travel related services, UK and Ireland. He was senior vice president of consumer card products, and succeeds Mr Steven D. Goldstein who becomes president of international consumer financial services in New York.



THE SIGMA CORPORATION has appointed Mr Graham Wylie (above) as group finance director, responsible for three UK subsidiaries - Sigma, Herald Engineering, and Select Gauges - and United Metrology, US. He was managing director of Immediate Business Systems, Milton Keynes.

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AUTHORISED UNIT TRUSTS

Init Chrg | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's

GUIDE TO UNIT TRUST PRICING

هكذا من الأصل

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	64.19	67.26	71.55	+0.16	0.60
European	7	74.78	74.78	79.55	+0.44	0.09
Far Eastern	5	65.72	67.66	71.98	+0.38	0.61
Growth Inc	5	90.01	93.39	99.35	+0.26	1.30
Growth Acc	5	90.01	93.39	99.35	+0.26	1.30
Income Inc	5	84.58	86.84	92.37	+0.61	4.60
Income Acc	5	84.68	86.94	92.48	+0.61	4.60
Property Share	5	56.44	56.44	60.16	+0.56	0.99
Smaller Co's	5	59.21	59.72	63.30	+0.23	1.52
Nth American	5	68.15	68.15	72.88	+0.25	1.51
International	5	50.39	50.39	53.89	+0.17	1.39
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	115.42	115.42	120.42		0.89
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	65.25	67.72	72.04	+0.19	2.92
YUTM Hi Eqty Inc Tst	5¼	62.84	65.06	69.23	+0.25	4.32
YUTM Intl Grth Tst	5¼	53.97	53.97	57.56	-0.06	0.77

OTHER UK UNIT TRUSTS

	Bid	Offer	+ or -	Yield
Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.3	503.8		–
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund July 31		538.95		4.55
Fxd Int Sec July 31		142.05		10.07
Deposit July 31		100.00		13.25
Charinco/Charishare (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc Aug 16	169.4	173.7	+0.50	10.29
C'inco Acc Aug 16	695.0	712.4	+1.40	10.29
C'share Inc Aug 16	162.0	168.0	-1.00	3.97
C'share Acc Aug 16	178.0	184.8	-0.90	3.97
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income July 31		516.04		4.79
Accum July 31		2714.94		–

Edinburgh Fund Mngrs PLC

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Sunrise Metro	133.7	140.6	+0.5	–
UK Metro	124.4	130.8	+0.8	–
N Am Pn Fd Accta	268.6	282.7	+0.7	–
Pac Basin Fd Acc(z)	190.6	200.6	-2.4	–
Property(z)	588.0	618.9	+0.1	–
Mlple Inv Pens Acc(z)	1538.8	1619.7	+7.0	–
Broker Funds				
Prof. Pen. Fd.	101.9	107.3	+0.4	–
YRA Strategy	125.5	132.1	-0.3	–
YRA Performance	107.8	113.4	-0.3	–
Langhton Dollar (SD)	142.5	149.9	-0.3	–
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc.	264.4	278.4	+0.1	–
Equity Acc.	909.0	956.9	+3.4	–
Property Acc.	508.5	535.3	+0.1	–
Far East Acc.	217.8	229.3	-1.4	–
European Acc.	24.4	25.7	+0.1	–
Managed Acc.	711.7	749.2	+2.5	–
Managed Cap.	403.1	424.4	+1.8	–
O'seas Earnings Acc.	606.5	638.5	+2.6	–
Gilt Edged Acc.	322.2	339.2	+1.0	–
American Equity Acc.	492.0	517.9	+2.8	–
American Man. Acc.	226.7	238.7	+0.9	–
American Prop Acc.	150.6	158.6	+0.2	–
Pen. F.I. Dep. Cap.	291.9	307.3	+0.1	–
Pen. F.I. Dep. Acc.	503.1	529.6	+0.2	–
Pen. Prop. Cap.	595.8	627.2	+0.1	–
Pen. Prop. Acc.	1134.8	1194.6	+0.2	–
Pen. Man. Cap.	878.4	924.7	+5.0	–
Pen. Man. Acc.	1671.4	1759.4	+9.7	–
Pen. Gilt Edg. Cap.	321.3	338.3	+0.9	–
Pen. Gilt Edg. Acc.	500.1	526.5	+1.5	–
Pen. Eq. Cap.	1456.6	1533.3	+10.2	–
Pen. Eq. Acc.	2100.6	2211.2	+14.9	–
Pen. Am. Eq Cap.	163.7	172.4	+0.7	–
Pen. Am. Eq Acc.	199.0	209.5	+0.9	–
Pen. Far East Cap.	261.6	275.4	-0.2	–
Pen. Far East Acc.	317.9	334.7	-0.2	–
Pen. Euro Cap.	29.1	30.7	+0.1	–
Pen. Euro. Acc.	31.9	33.6	+0.1	–
Pen. B.S. Acc.	552.7	580.4	+0.2	–
Pen. B.S. Cap.	329.7	346.2	+0.1	–
Pen. D.A.F. Acc.	386.6	386.6	+0.1	–
Pen. D.A.F. Cap.	258.8	258.8		–
Pen. Mortgage Cap.	148.3	156.2	+0.1	–

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Premium Life Assurance Co Ltd
37-39, Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	133.0	140.0	+1.0	-
Building Soc. Fd.	172.0	182.0	....	-
Balanced	292.0	308.0	+1.0	-
European	187.0	197.0		-
GT Managed	188.0	198.0	+1.0	-
Gartmore Mngd.	126.0	133.0	-1.0	-
German	134.0	142.0	.....	-
Gilt	185.0	195.0	....	-
Global	49.0	52.0	.....	-
High Inc.	124.0	131.0	....	-
International Equity	203.0	214.0	.....	-
Japan	261.0	275.0	+1.0	-
Managed	64.0	68.0	.....	-
Property	286.0	302.0	....	-
R. W. Imperial Gold	151.0	159.0	....	-
UK Equity	370.0	390.0	+2.0	-
Pension Funds				
American	153.0	162.0	.....	-
Building Soc. Fd	174.0	184.0	....	-
Balanced	224.0	236.0	.....	-
European	185.0	195.0	....	-
German	117.0	124.0	....	-
Gilt	157.0	166.0	....	-
International Equity	147.0	155.0	.	-
Japan	144.0	152.0	....	-
Managed	68.0	72.0	+1.0	-
Property	220.0	232.0	....	-
UK Equity	338.0	356.0	+1.0	-

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Managed Fund	96.37	101.88	+0.20	-
Pensions Cash Fund	78.97	83.13	+0.03	-

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd.	621.2	654.6	+3.4	-
Adventurous Mngd.	135.0	142.3	+0.7	-
Secure Mngd	112.8	118.9	+0.2	-
Cash Fd	236.2	248.9	....	-
Property Fund	291.1	309.7	....	-
Equity Fund	704.9	742.8	+4.9	-
Fxd. Int. Fund	303.1	319.4	+0.4	-

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	593.3	624.6	+6.7	-
Equity	863.3	908.8	+16.2	-
Global Equity	256.5	270.1	+0.6	-
Fixed Interest	418.1	440.2	+0.5	-
Property	401.2	422.4	+0.8	-
Cash	159.6	168.1	....	-
Index Linked Gilt	205.2	216.0	+0.8	-
Guaranteed	12.90	-	.....	-
International Money	205.5	216.4	-0.1	-
North American	83.6	88.0	+0.4	-
Japanese	151.1	159.1	....	-
European	102.6	108.1	-0.5	-
Special Situations	123.5	130.0	+0.5	-
Communications	111.9	117.8	+0.3	-
Smaller Companies	115.9	122.0	+0.2	-
International Small Cos	142.1	149.6	+0.1	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Aug 16	£165.09	170.86	-0.33	-
Equity Aug 16	£181.33	188.74	-1.45	-
International Aug 16	£28.05	28.97	+0.22	-
Intl Bond Aug 16	£12.77	12.94	+0.21	-
Fixed Int Aug 16	£74.42	75.41	+0.18	-
Index Linked Aug 16	£63.69	64.48	+0.41	-
Property Aug 16	£113.78	120.47	+0.78	-
Cash Aug 16	£21.3882	21.3882	+0.0534	-
Pre-Linked Retirement Plan				
Managed Aug 15	402.5	419.3	.....	-
Cash Aug 15	200.5	208.9	.....	-
Prudential Pensions Investment Account				
Pens Mngd Aug 17	162.2	174.4	+0.7	-
Pens UK Eq Aug 17	318.6	349.9	+1.3	-
Pens Intl Aug 17	196.2	211.1	+1.2	-
Pens Fixed Aug 17	171.8	181.5	+0.5	-
Pens Index Lk Aug 17	162.2	171.4	+0.1	-
Pens Cash Aug 17	130.9	137.9	.....	-

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd	124.5	131.0	+0.4	-
Balanced Ptflio Fd	326.7	343.8	+1.2	-
Cautious Ptflio Fd	124.4	130.9	+0.1	-
Elite Fund	118.4	124.6	+1.1	-
European Fund	91.6	96.4	.....	-
Far East Fund	111.7	117.5	.....	-

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

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LONDON SHARE SERVICE

BRITISH FUNDS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
94⅛	91	Treas. 8pc 1991	93	+⅛	8.53	11.09
106¼	102¾	Treas 12¾pc 1992‡‡	104¼	+⅛	12.23	10.70
99½	95	Treas 10pc 1992	98¼xd	-⅛	10.18	10.78
94¼	91	Treas. 8pc 1992 ‡‡	93	......	8.55	10.82
100¾	96	Treas 10½pc Cv 1992‡‡	99¼	......	10.57	10.77
85¾	82¼	Treas. 3pc 1992	85½	+⅛	3.51	8.93
105	101¼	Exch. 12¼pc '92	103xd	+⅛	11.80	10.74
109¾	104	Exch 13½pc 1992	107xd	......	12.58	10.66
94¼	90	Treas 8¼pc 1993	93xd	+⅛	8.82	10.50
100¾	95¾	Treas 10pc 1993‡‡	98	+⅛	10.12	10.37
108¼	103	Treas 12½pc 1993‡‡	106	+⅛	11.74	10.42
87	84¼	Funding 6pc 1993‡‡	87xd	+¼	6.84	9.71
113¾	108¼	Treas 13¾pc 1993‡‡	111	+⅛	12.34	10.34
94⅛	89¾	Treas. 8½pc 1994	93¼	+⅛	9.10	10.36
117	112¼	Treas 14½pc 1994‡‡	115xd	+⅛	12.58	10.22
113	107	Exch 13½pc 1994	111	+⅛	12.13	10.36
100¼	95	Treas. 10pc Ln. 1994‡‡	99	+⅛	10.08	10.19

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
110¼	104	Exch. 12½pc 1994	108xd	+⅛	11.55	10.36
96	91⅛	Treas 9pc 1994‡‡	95	+⅛	9.45	10.18
108	102	Treas 12pc 1995	106	+⅛	11.24	10.32
79¾	74½	Exch 3pc Gas 90-95	77	......	3.90	8.07
101	95¾	Exch. 10¼pc 1995	100	+⅛	10.24	10.22
113	107½	Treas 12¾pc 1995‡‡	111	+⅛	11.41	10.15
119	112¾	Treas. 14pc '96	116	+⅛	11.96	10.29
97½	91	Treas. 9pc 1992-96‡‡	95½xd	+⅛	9.42	9.93
126	119	Treas 15¼pc 1996‡‡	123¾	+⅛	12.30	10.20
117	110	Exch 13¼pc 1996‡‡	114	+⅛	11.55	10.16
101	94	Conversion 10pc 1996	99	+⅛	10.04	10.07
118¼	110¼	Treas 13¼pc 1997‡‡	115	......	11.44	10.14
104	97⅛	Exch 10½pc 1997	102xd	+⅛	10.28	10.08
95	88¼	Treas 8¾pc 1997‡‡	93xd	+⅛	9.33	9.88
128⅛	120	Exch 15pc 1997	125¾	+⅛	11.94	10.27
100	93	Exch. 9¾pc 1998	98	......	9.87	9.96
84¾	78⅛	Treas 6¾pc 1995-98‡‡	83½	-⅛	8.08	9.58
134	125	Treas. 15½pc '98‡‡	131	+⅛	11.81	10.15
113	105¼	Exch. 12pc 1998	111¼	+⅛	10.79	10.09
100¼	93	Treas 9½pc 1999‡‡	98⅛	+⅛	9.64	9.72
115⅞	107½	Exch. 12¼pc 1999	113	-⅛	10.83	10.07
105⅛	97¾	Treas. 10½pc 1999	103	+⅛	10.17	9.96
104	96¾	Conversion 10¼pc 1999	101	+⅛	10.05	9.93
94	86¾	Treas. 8½pc Ln 2000‡‡	92	+⅛	9.21	9.68
97	90	Conversion 9pc 2000‡‡	95xd	+⅛	9.44	9.70
122	113	Treas. 13pc 2000	119	+⅛	10.92	10.07
103¾	95⅛	Treas 10pc 2001	101¼xd	+⅛	9.87	9.81
124	115¼	Treas. 14pc '98-01	121	+⅛	11.54	10.25
102	94	Conversion 9¾pc 2001	99	+⅛	9.77	9.77
113	105½	Exch. 12pc '99-02	111⅛	+⅛	10.80	10.12
104	96	Conversion 10pc 2002	102⅛	+⅛	9.79	9.69
102	94	Treas 9¾pc 2002	100xd	+⅛	9.70	9.66
97	89	Exch. 9pc 2002	95	+⅛	9.43	5.60
126	117	Treas. 13¾pc 2000-03	123	+⅛	11.13	10.13
105⅛	97⅛	Treas 10pc 2003	103xd	+⅛	9.67	9.56
113	104	Treas. 11½pc 2001-04	110xd	+⅛	10.39	9.93
106	97⅛	Treas. 10pc 2004	103	+⅛	9.64	9.51
59¾	55	Funding 3½pc '99-04	58	+⅛	6.01	8.48

Over Fifteen Years

BRITISH FUNDS—Contd

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
102	94¼	Conversion 9½pc 2004	100	+⅛	9.46	9.44
103	94½	Conversion 9½pc 2005	100⅛	+⅛	9.44	9.42
111	102	Exch.10½pc 2005	109	+⅛	9.63	9.41
125	115⅛	Treas. 12½pc 2003-05	122	+⅛	10.22	9.58
90¾	82¾	Treas. 8pc 2002-06‡‡	88	+⅛	9.02	9.33
105¾	97	Conversion 9¾pc 2006	103	+⅛	9.43	9.34
118	109	Treas. 11¾pc 2003-07	116	+⅛	10.12	9.59
96	87	Treas 8½pc 2007 ‡‡	93	+⅛	9.04	9.18
134	123	Treas. 13½pc '04-08	130	+⅛	10.31	9.52
101	92	Treas. 9pc 2008 ‡‡	98	+⅛	9.12	9.14
92	84	Treas 8pc 2009	89	+⅛	8.90	9.10
102	93	Conv 9pc Ln 2011 ‡‡	99	+⅛	9.05	9.05
68¾	62	Treas. 5½pc 2008-12‡‡	67xd	+⅛	8.24	8.93
89¾	82	Treas. 7¾pc 2012-15‡‡	87	+⅛	8.89	9.04
132	121¼	Exch. 12pc '13-'17	128	......	9.35	9.08

Undated

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
45⅛	41½	Consols 4pc	43	+⅛	9.18	-
40⅛	36⅛	War Loan 3½pc‡‡	38	+⅛	8.99	-
70	60¾	Conv. 3½pc '61 Aft	65¼	+⅛	5.32	-
41	31	Treas. 3pc '66 Aft	35	+⅛	8.57	-
30¼	26	Consols 2½pc	27	+⅛	9.03	-
29½	25¾	Treas. 2½pc	27	+⅛	9.11	-

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or -	(1)	(2)
112⅛	103	Tr. 2pc '92‡‡(97.8)	112½xd	+⅛	1.95	2.90
105	94	Do. 2 '94 (102.9)	104¾	+⅛	2.44	2.95
154	139¼	Do. 2pc '96(67.9)	153xd	+⅛	2.78	3.13
130	118	Do 2½pc '01(78.3)	130¼	+¼	3.21	3.45
127	115¾	Do. 2½pc '03(78.8)	127	+¼	3.30	3.50
130	117	Do. 2pc '06(69.5)	130	+¼	3.35	3.52
122	110¼	Do. 2½pc '09(78.8)	122	+¼	3.36	3.52
127	114	Do. 2½pc '11(74.6)	127¼xd	+¼	3.38	3.52
106	95¼	Do. 2½pc '13(89.2)	106	+¼	3.35	3.49
114	101¼	Do. 2½pc '16(81.6)	114	+¼	3.33	3.46
112	100¾	Do. 2½pc '20(83.0)	112¼	+¼	3.30	3.41
95	84	Do. 2½pc '24‡‡(97.7)	94¾	+¼	3.26	3.36

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1988: 110.0 and for June 1989: 115.4.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
108	99½	African Dv Bk 11¼Ln 2010	106¼	-⅛	10.47	10.37
104	96⅛	Asian Dev Bk 10⅛pcLn2009	102	-⅛	10.02	9.98
130	119	Australia 13½pc 2010	126xd	-⅛	10.70	10.40
113	102	Do. 11¾pcLn2015	109	-⅛	10.41	10.33
108	99	Euro Inv Bk 11pc Ln 2002	105	-⅛	10.40	10.19
104	95	Do. 10¼pc2004	101	-⅛	10.23	10.18
119	109	Int-Am Dev Bk 12½pc 2003	114	-⅛	10.87	10.39
99¾	90	Do. 9¾pcLn 2015	97	-⅛	10.04	10.06
97½	91½	Mlysia 10¾pcLn 2009	95xd	......	11.32	11.39
120	115	Utd. Mexican States 16½pc 2008	115	-2	14.35	14.20

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
102	99½	Birmingham 13½pc 1989	99½	......	13.57	11.20
111½	102½	Do. 11½pc 2012	107½	......	10.70	10.60
91	86½	GLC 6¾pc 1990-92	89½xd	......	7.54	11.70
124½	141½	Leeds 13¾pc 2006	121½	......	11.11	10.72
33	30	Liverpool 3½pc Irred	30	......	11.67	-
95½	92	LCC 6¾pc '88-90	95½	......	7.07	10.90
30	27	Do. 3pc '20 Aft	28xd	......	10.71	-
107½	101½	Manchester 11½pc 2007	105½xd	......	10.90	10.80

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	89¼	......	8.12	11.60
206	206	S Rhod 2½pc Non-Assd	206	......	-	-
84½	84½	Do. 4½pc 87-92 Assd	84½	......	5.33	9.33

LOANS

Building Societies

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
47	45	Met. Wtr. 3pc 'B'	46xd	......	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	......	3.50	18.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	......	3	17.50
45	40	Do 4pc Mixed Ass.	40xd	......	2	15.00
80	65	Hung. '24 Ass.	80	......	2.75	13.57
139	128	Hydro Quebec 15pc 2011.	135½	-⅛	15.00	10.74
128	118	Iceland 14½pc Ln 2016	126xd	-⅛	14.50	11.36
97¾	91½	Ireland 9¾pc '91-96	92¼xd	......	9.75	11.40

AMERICANS

1989 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
39¾	26¼	Abbott Laboratories	39¾xd	+⅛	$1.40	-	2.2
579p	361p	♦Allegheny & W 1c	453p	-7	30c	-	4.2
17	12	Amax $1	17xd	+¼	80c	-	2.9
11⅛	6	Ambase Corp $1	10xd	+⅛	20c	-	1.2
15	865p	Amdahl 5c	937pxd	-15	h10c	-	0.7
37¾	25½	Amer. Cyanamid $5	37	+¼	$1.35	-	2.3
23¼	14	Amer. Express 60c	23½xd	-⅛	84c	-	2.3
16¼	854p	Amer. Medical Int. $1	15¾	-⅛	♦72c	-	2.9
25	15¼	American T. & T. $1	24¾	+⅛	$1.20	-	3.1
39¾	26	Ameritech $1	38¼	+⅛	h$2.92	-	4.8
19¼	9⅛	BankAmerica $1	19¼xd	+¼	60c	-	1.9
34⅛	19½	Bankers N.Y. $1	33xd	+½	$2.08	-	4.0
61¼	38½	Bell Atlantic $1	61¼	+⅛	$4.08	-	4.2
33¼	19¾	BellSouth Corp	32½	+¼	$2.52	-	4.9
15¾	12	♦Bethlehem Steel $8	13⅞xd	-⅛	-	-	-
11⅛	868p	♦Bio-Rad Labs. A	992p	-20½	-	-	-
20¼	15¼	Bowater Inc	19¼	-⅛	$1.12	-	3.7
12¾	9¼	Brunswick 75c	10xd	......	44c	-	2.6
42⅛	28⅜	CPC Intnl. 25c	40¾	+⅛	$1.60	-	2.5
798p	333p	California Engy	576p	......	-	-	-
36	17¼	Campbell Soup 15c	34½xd	+¼	92c	-	1.7
25¾	15	Chase Manhattan $12½	24¾xd	+⅛	$2.36	-	6.0
24½	17	Chem. Banking Corpn	24¼	......	$2.72	-	7.1
16¾	13⅞	Chrysler $6¼	15⅞xd	......	$1.20	-	4.8
22	14	Citicorp $1	20xd	+⅛	$1.62	-	5.0
230p	107p	CityFed Fin. Corp.	159p	-8	4c	-	1.6
36¾	25¼	Colgate-Palmolive $1	36xd	+¼	s$1.48	-	2.5
17	10¾	Cont'l Bank Corp $4	15¼	+¼	86c	-	3.2
387½p	218p	♦Corporate Data Scnce	299p	......	-	-	-
597p	278p	Cullinet Sftwr 1c	484p	-24	-	-	-
27½	21	Dana Corp. $1	26⅛	+⅛	$1.60	-	3.8
12	854p	Data General	10	-¼	-	-	-
38	28⅛	Dun & Bradstreet $1	36⅝	+⅛	$2.00	-	3.5
41¾	30½	Eaton Corpn. 50c	41¼	......	h$2.00	-	3.1
11¾	8⅞	Echlin Inc.	11	+⅛	70c	-	4.0
20⅛	16⅞	FPL Group 1c	20xd	-⅛	$2.26	-	7.0
32¾	27⅛	Ford Motor $1	32¾xd	+⅛	$3.00	-	5.8

Continued on next page

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

1989 High	Low	Stock	Price $	+ or –	Div Gross	C'vr	Y'ld Gr's
36⅞	24¼	Gen. Elect. 63c	36½	+¼	$1.64	–	2.8
568p	460p	♥General Host Corp $1	508p	......	30c	–	3.7
39⅛	16¼	Gillette $1	28⅛	......	96c	–	2.1
987p	601p	Gt American Bank Bk $1	842p	–7	60c	–	4.5
23⅜	16¼	Greyhound $1½	22¹¹⁄₁₆	+⅟₁₆	$1.32	–	3.7
14¼	847p	Hasbro Inc 50c	13⅜	–⅛	16c	–	0.8
56¼	32¼	Honeywell $1½	56⅟₁₆xd	–⅟₁₆	$2.10	–	2.4
21½	15¼	Houston Inds ‡	21⅛	......	$2.96	–	8.9
74⅝	63⅟₁₆	IBM Corpn $1¼	73⅟₁₆	–⅜	$4.84	–	4.2
60p	45p	♥Image Storage/P Sys 1c	58p	+3	–	–	–
30½	18¼	Ingersoll-Rand $2	38½xd	+⅟₁₆	$1.20	–	2.5
33	22½	Lockheed Crpn $1	31⅝xd	–⅛	$1.80	–	3.6
22⅝	15⅟₁₆	Lone Star Inds $1	22	–⅛	$1.90	–	5.5
25¼	17½	Louisiana Land 15c	25¼	+⅛	$1.00	–	2.5
18½	11½	Lowe's 50c	18½	+¼	48c	–	1.6
26⅟₁₆	15⅟₁₆	Manuf. Hanover $1	26⅟₁₆	......	$3.28	–	7.9
22⅝	13⅟₁₆	Merrill Lynch $1	22⅞	......	$1.00	–	2.9
2352p	1910p	Molex Inc	2352p	+8	3.2c	–	–
27⅟₁₆	18⅛	Morgan (JP) $2½	26½xd	+⅟₁₆	$1.66	–	4.0
54½	36⅛	NYNEX $1	50⅛	......	$4.36	–	5.5
24⅝	18¾	PHH Corp ‡	24	......	$1.12	–	3.0
259p	180p	♥Pacific Agr ‡	180p	......	–	–	–
27¼	19	Pacificorp $3¼	26½	+⅛	$2.76	–	6.3
27½	16⅞	Pacific Telesis 10c	27½	+⅝	$1.88	–	4.3
22⅛	15¼	Pall Corp. 25c	20⅜	......	48c	–	1.5
55⅜	39⅟₁₆	Pennzoil $3 1/3c	52¼xd	+⅝	$3.00	–	3.6
42¼	28⅝	Quaker Oats $5	40⅝	+⅛	$1.20	–	1.9
32⅛	23½	Pep NY Corpn $5	31¼xd	+⅜	$1.28	–	2.6
15¼	11⅟₁₆	Rockwell Intl $1	14⅟₁₆	–⅛	78c	–	3.4
35½	21⅝	Southwestern Bell $1	34⅞	+⅛	$2.60	–	4.7
27¾	17⅟₁₆	Sun Co Inc. $1	24⅜xd	+⅜	$1.80	–	4.7
30½	22⅟₁₆	TRW Inc. 62½c	30½xd	+¼	$1.72	–	3.6
22⅝	14⅜	TW Services $5	22⅛	+⅛	10c	–	0.3
38⅟₁₆	26¼	Tenneco $5	38⅛xd	+½	$3.04	–	5.0
35⅞	28	Texaco $6.25	33¼xd	+⅛	♦$3.00	–	5.6
28⅟₁₆	21⅝	Texas Instr. $1	24⅟₁₆xd	–⅛	72c	–	1.9
117⅟₁₆	58⅝	Time Inc. $1	98	+¼	$1.00	–	0.7
18⅟₁₆	15⅟₁₆	TRINOVA Corp	18⅟₁₆xd	+⅟₁₆	96.8c	–	2.3
24⅛	16	USX $1	22⅟₁₆xd	–⅟₁₆	$1.40	–	4.0
252p	126p	♥Unilab	252p	......	–	–	–
35	22⅛	Utd. Technologies	35xd	+½	$1.60	–	2.9
158p	128p	♥Utilitech Inc	147p	......	–	–	–
46½	31½	US West ‡	45½	–⅛	$3.76	–	5.2
36⅜	22⅝	Waste Management $1	36¼xd	+¼	48c	–	0.8
20¼	13½	Whirlpool $1	19⅛	......	$1.10	–	3.6
24⅛	16⅟₁₆	Whitman Corp	21⅟₁₆	+⅛	$1.02	–	2.9
41¼	28⅛	♥Woolworth $3½	40⅛	+1	$1.88	–	2.9

CANADIANS

1989 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
168p	129p	♥ABM Gold Corp ‡	162p	......	–	–	–
25½p	4½p	♥Abbot Energy Corp	25p	......	–	–	–
16½	902p	♥Amer. Barrick Res	16½	......	–	–	–
28p	10½p	♥Armeno	22p	–1	–	–	–
344p	94p	♥Asiamerica Hldgs ‡	318p	......	–	–	–
33¼p	8½p	♥Augmitto Expln	17p	+1	–	–	–
18⅛	12⅝	Bk. Montreal ‡	18⅛	+⅛	$2.12	–	5.9
10⅛	655p	Bk. Nova Scot. ‡	999p	–1	92c	–	4.7
821p	599p	♥BC Gas $1	810p	+2	60c	–	3.8
22⅝	17	BCE ‡	22⅜	......	$2.44	–	5.5
848p	570p	♥Bow Valley ‡	729p	–24	♦40c	–	2.8
17	12⅛	♥Brascan ‡	16⅜	......	88c	–	2.7

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

طبق الأصل

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LEISURE

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

MINES – Contd

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
45	35	Ayer Hitam SM1	40	[illegible]	[illegible]	[illegible]	[illegible]
75	38	Gopeng Berhad M$0.50	75	[illegible]	[illegible]	[illegible]	[illegible]
84	47	Malaysia Mng 10c	70	[illegible]	[illegible]	[illegible]	[illegible]
180	120	Petaling SM1	168	[illegible]	[illegible]	[illegible]	[illegible]
150	90	Sungei Besi SM1	125	[illegible]	[illegible]	[illegible]	[illegible]
90	90	Tanjong 15p	90	[illegible]	[illegible]	[illegible]	[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- Interim since increased or resumed
- Interim since reduced, passed or deferred
- Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Not officially listed.
- Price at time of suspension
- Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress
- Not comparable
- Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p	97	......
Craig & Rose £1	830	......
Finlay Pkg 5p	88	+2
Holt (Jos) 25p	1343	+13

IRISH

Stock	Price	+ or –
Cap 8½% Ln 1991	£98¼	......
9pc Cap Ln. 1996	£101	......
Fin. 13% 97/02	£121½	–1¼
Arnotts	415	......
Carroll (P J)	160	+4
Hall (R & H)	168	......
Heiton Hldgs	92	+2
Irish Ropes	210	......
United Drug	150	–1

TRADITIONAL OPTIONS

3-month call rates

Industrials p

Stock	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit. Aerospace	52
[illegible]	[illegible]
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
SmithKline Bchm A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
[illegible]	[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Smaller deficit boosts dollar

THE DOLLAR rose sharply yesterday to touch a two-month high against the D-Mark after better than expected US trade figures for June. The extent of the rise was tempered by fears of central bank intervention and also by the release today of US consumer prices for July; these should give an indication on the pace of inflation.

The trade figures showed the smallest deficit for 4½ years and fuelled speculation that the US Federal Reserve will refrain from reducing US interest rates for the time being. Many investors carried square or short dollar positions ahead of the figures, and the $8.1bn shortfall - compared with expectations of around $9.3bn - prompted short covering and genuine investor demand.

However, there were still fears that central banks might take advantage of any sign of hesitancy in the bull run to try and contain the dollar's rise. The Federal Reserve was checking dollar rates in the market, which most traders took as a clear sign of the central bank's displeasure at the rapid pace of the dollar's improvement.

The US unit touched DM1.9700 but failed to break through this level, finishing at DM1.9685, up from DM1.9425 on Wednesday. The dollar broke through resistance against the yen at Y142.50 and again at Y143.50 to finish at Y143.85 compared with Y142.15. Elsewhere, it finished at SFr1.6970 from SFr1.6720 and FFr6.6475 from FFr6.5600. On Bank of England figures, its exchange rate index rose to 71.8 from 71.1.

Later trading in New York saw the US unit slip back to DM1.9650 as investors await the possibility of further impetus from the consumer price data before testing the DM1.9700 level.

Sterling lost ground against the stronger dollar but was unchanged overall against its European trading partners. Its exchange rate index fell to 91.0 from 91.3 at the opening and Wednesday's close. A smaller than expected fall in UK unemployment in July and a decline over May in the rate of increase in June average earnings both helped to restore confidence. The figures suggest that economic growth is continuing to slow in response to the Government's tight monetary stance and that inflationary pressure caused by high wage settlements may be levelling off.

The pound fell against the dollar to $1.5585 from $1.5790 but was unchanged in D-Mark terms at DM3.0675. It was slightly down against the yen at Y224.25 from Y224.50 but rose against the Swiss franc to SFr2.6450 from SFr2.6400 and FFr10.3600 compared with FFr10.3575.

The French franc remains supported by the relatively high level of interest offered on franc denominated investments. News of a 0.3 per cent rise in consumer prices in July failed to have any impact and the D-Mark finished at FFr3.3770 unchanged from Wednesday.

£ IN NEW YORK

Aug 17	Latest	Previous Close
£ Spot	1.5605-1.5615	1.5810-1.5820
1 month	0.63-0.62pm	0.64-0.62pm
3 months	1.90-1.88pm	1.89-1.87pm
12 months	6.28-6.18pm	6.30-6.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.17	Previous
8.30 am	91.3	91.0
9.00 am	91.2	91.1
10.00 am	91.2	91.0
11.00 am	91.2	91.0
Noon	91.0	91.2
1.00 pm	91.0	91.1
2.00 pm	90.8	91.1
3.00 pm	91.0	91.0
4.00 pm	91.0	91.3

CURRENCY RATES

Aug.17	Bank rate %	Special* Drawing Rights	European † Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

† Sterling quoted in terms of SDR and ECU per £. * European Commission Calculations. * All SDR rates are for Aug.16

CURRENCY MOVEMENTS

Aug.17	Bank of England Index	Morgan** Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Aug.16

OTHER CURRENCIES

Aug 17	£	$
[illegible]	[illegible]	[illegible]

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Aug.17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5540 - 1.5785	1.5580 - 1.5590	0.63-0.61cpm	4.77	1.83-1.78pm	4.63
Canada	1.8415 - 1.8535	1.8395 - 1.8405	0.27-0.19cpm	1.50	0.72-0.58pm	1.41
Netherlands	3.44½ - 3.46¼	3.45¼ - 3.46¼	2-1¾cpm	6.51	5½-5¼pm	6.22
Belgium	63.95 - 64.25	64.10 - 64.20	30-28cpm	5.42	84-80pm	5.11
Denmark	11.89½ - 11.94	11.90¼ - 11.91¼	4⅝-4¼orepm	4.47	12¼-12pm	4.16
Ireland	1.1455 - 1.1520	1.1475 - 1.1485	0.40-0.35ppm	3.92	1.15-1.05pm	3.83
W. Germany	3.05¾ - 3.07¼	3.06½ - 3.07	1¾-1⅝pfpm	6.60	5¼-4⅞pm	6.52
Portugal	254.90 - 256.70	255.70 - 256.70	17-10cpm	0.63	24-90dis	-0.89
Spain	191.15 - 192.15	191.40 - 191.70	3-13cdis	-0.50	14-30dis	-0.46
Italy	2195½ - 2206½	2202½ - 2203½	3-1lirepm	1.09	8-6pm	1.27
Norway	11.16 - 11.20¼	11.16 - 11.17	3-2½orepm	2.96	7-6¾pm	2.93
France	10.33¼ - 10.37¼	10.35½ - 10.36½	4¼-3¼cpm	4.20	12-11⅝pm	4.56
Sweden	10.35½ - 10.40¼	10.35½ - 10.36½	1⅞-1⅝orepm	2.03	5¼-4⅝pm	1.88
Japan	223¼ - 224¼	223¼ - 224¼	1⅝-1½ypm	8.36	4⅝-4½pm	8.14
Austria	21.54 - 21.61	21.58 - 21.61	13-11gropm	6.67	35-32pm	6.21
Switzerland	2.63½ - 2.65	2.64 - 2.65	1½-1¼cpm	6.52	4¼-4pm	6.24
ECU	1.4780 - 1.4865	1.4780 - 1.4790	0.57-0.54cpm	4.50	1.60-1.55pm	4.26

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.15-64.25 Six-month forward dollar 3.52-3.47cpm 12 months 6.10-6.00cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Aug 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5540 - 1.5785	1.5580 - 1.5590	0.63-0.61cpm	4.77	1.83-1.78pm	4.62
Ireland†	1.3550 - 1.3720	1.3575 - 1.3585	0.13-0.08cpm	0.93	0.55-0.45dis	1.47
Canada	1.1750 - 1.1835	1.1820 - 1.1830	0.31-0.34cdis	-3.31	0.94-0.99dis	-3.28
Netherlands	2.1895 - 2.2200	2.2185 - 2.2195	0.32-0.30cpm	1.69	0.90-0.86pm	1.60
Belgium	40.55 - 41.20	41.10 - 41.20	3.00-1.50cpm	0.66	5.50-3.00pm	0.42
Denmark	7.54 - 7.65	7.63¾ - 7.64¼	0.07-0.32oredis	-0.31	0.80-1.20dis	-0.52
W Germany	1.9410 - 1.9715	1.9680 - 1.9690	0.33-0.30pfpm	1.92	0.89-0.86pm	1.78
Portugal	162.75 - 164.20	164.10 - 164.20	55-70cdis	-4.44	210-250dis	-5.45
Spain	121.35 - 123.05	122.90 - 123.00	52-62cdis	-5.56	160-170dis	-5.37
Italy	1395¾ - 1414¼	1413¾ - 1414¼	3.90-4.40liredis	-3.52	11.70-12.40dis	-3.41
Norway	7.09½ - 7.17¾	7.16¼ - 7.16¾	0.95-1.20oredis	-1.80	4.15-4.45dis	-2.40
France	6.56¼ - 6.65½	6.64½ - 6.65	0.03-0.08cdis	-0.10	0.20-0.35dis	-0.17
Sweden	6.58½ - 6.66¼	6.64½ - 6.65	1.42-1.57oredis	-2.70	4.65-4.90dis	-2.87
Japan	142.25 - 144.05	143.80 - 143.90	0.45-0.43ypm	3.67	1.24-1.20pm	3.39
Austria	13.67½ - 13.87	13.86½ - 13.87	2.45-1.95gropm	1.91	5.90-4.40pm	1.49
Switzerland	1.6710 - 1.7010	1.6965 - 1.6975	0.24-0.21cpm	1.59	0.69-0.66pm	1.59
ECU	1.0550 - 1.0615	1.0550 - 1.0560	0.02-0.01cpm	0.17	0.13-0.11pm	0.45

Commercial rates taken towards the end of London trading † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.15-41.25.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3950	+2.21	+1.03	±1.5424
Danish Krone	7.85212	8.06071	+2.74	+1.56	±1.6419
German D-Mark	2.05853	2.07462	+0.78	-0.40	±1.1019
French Franc	6.90403	7.01040	+1.54	+0.36	±1.3719
Dutch Guilder	2.31943	2.33892	+0.84	-0.34	±1.5019
Irish Punt	0.768411	0.776998	+1.12	-0.06	±1.6689
Italian Lira	1483.58	1490.71	+0.48	-0.11	±4.0815
Spanish Peseta	133.804	129.678	-3.08	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

Aug.17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8⅝-8⅜ per cent; three years 8½-8¼ per cent; four years 8½-8¼ per cent; five years 8½-8¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug.17	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Caution over earnings data

STERLING DENOMINATED contracts finished little changed on the London futures market (Liffe) yesterday. Traders were surprised at the fall to 9 per cent from 9.25 per cent in the underlying rate of UK average earnings in June, but noted that recent large wage settlements have not yet come into the calculation, while a large wage rise for nurses last year has now dropped out, dragging the year-on-year figure erratically downwards.

It was also noted out that unit wage costs showed a large jump to 3.5 per cent in June from 2.6 per cent in May, against market expectations of a 3.1 per cent increase.

Initial reaction to the figures on wages was for the market to advance. December short sterling touched a peak of 87.09, but drifted back as dealers took a wary view of the data and continued to regard any change in UK bank base rates as unlikely before delivery of the contract. It closed at 86.98 against 86.95 on Wednesday. September long gilt futures also finished little changed at 96-30 compared with 96-31.

US Treasury bonds for September delivery fell to 96-16 from 96-27, as a smaller than expected June US trade deficit and a rise of 1.5 per cent in exports indicated a fairly robust economy and did nothing to promote the case for lower US interest rates.

LIFFE LONG GILT FUTURES OPTIONS / LIFFE US TREASURY BOND FUTURES OPTIONS / LIFFE BUND FUTURES OPTIONS / LIFFE £/$ OPTIONS / LIFFE EURODOLLAR OPTIONS / LIFFE SHORT STERLING OPTIONS / PHILADELPHIA SE £/$ OPTIONS
[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT / 7-10 YEAR 9% NOTIONAL GILT / US TREASURY BONDS 8% / 6% NOTIONAL GERMAN GOVT. BOND / 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND / THREE MONTH STERLING / THREE MONTH EURODOLLAR / THREE MONTH EUROMARK / FT-SE 100 INDEX / POUND-$ (FOREIGN EXCHANGE)
[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% / U.S. TREASURY BILLS (IMM) / SWISS FRANC (IMM) / JAPANESE YEN (IMM) / DEUTSCHE MARK (IMM) / THREE-MONTH EURODOLLAR (IMM) / STANDARD & POORS 500 INDEX
[illegible]

BASE LENDING RATES

	%		%		%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9%. Sunrise 8.5%. Top Tier-£10,000+ instant access 12.8% # Mortgage base rate. § Demand deposit 9%. Mortgage 13.25% - 15%

MONEY MARKETS

Rates little changed

ECONOMIC NEWS from the UK was regarded as rather a mixed bag yesterday. June average earning's rose at a slower underlying rate than expected, but July unemployment fell by a seasonally adjusted 21,300. Economists pointed out that although the fact that unemployment has fallen every month for the last three years can be regarded as a success for the Government, it does not help to reduce inflationary pressure in the economy.

Another factor suggesting that inflation will not be easily brought under control was an

UK clearing bank base lending rate 14 per cent from May 24

annualised 6 per cent rise in the weekly number of bank notes in circulation, against 5.8 per cent the previous week.

Three-month sterling interbank was little changed at 13½-13⅜ per cent, compared with 13½-13⅜ per cent, in spite of a weakening of sterling against the dollar. Sentiment was helped by the pound's steady performance against other major currencies, including the D-Mark.

The Bank of England initially forecast a money market credit shortage of £500m, but revised this to £400m at noon. Total help of £388m was provided. Before lunch the authorities bought £42m bank bills in band 1 at 13⅞ per cent. In the afternoon another £256m bills were purchased, by way of £6m Treasury bills in band 1 at 13⅞ per cent and £250m bank bills in band 1 at 13⅞ per cent. Late assistance of around £90m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £373m, with Exchequer transactions absorbing £10m; a rise in the note circulation £94m; and bank balances below target £35m.

In New York the US Federal Reserve drained liquidity from the banking system, via four-day matched sale and repurchase agreements, when Federal funds were trading at 8⅝ per cent. The Fed's move was regarded as technical, but dealers said expectations of easier monetary policy have been set back by recent economic news, including yesterday's announcement of a narrowing in the US trade deficit.

In Paris the Bank of France left its money market intervention rate at 8¼ per cent. when injecting funds into the domestic banking system through a securities repurchase tender. Traders do not expect an early cut in interest rates, in spite of a fall in French inflation. July consumer prices rose 0.3 per cent - reflecting higher car and tobacco prices, plus second quarter rent increases - but the annual rate of inflation fell to 3.5 per cent from 3.6 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.17)	3 months US dollars		6 months US Dollars	
	bid 8¾	offer 8⅞	bid 8⅝	offer 8¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]	[illegible]	[illegible]	[illegible]

Aug.17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Aug.17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 13⅛ per cent; three months 13⅛ per cent; Bank Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent; Treasury Bills; Average tender rate of discount 13.3268 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1989. Agreed rates for period August 26, 1989 to September 25, 1989, Scheme I: 14.80 p.c., Schemes II & III: 13.23 p.c. Reference rate for period July 1 to July 31, 1989, Scheme IV&V: 13.984 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14½ from August 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1,1988. Deposits withdrawn for cash 5 per cent.

EUROPEAN OPTIONS EXCHANGE

Series	[illegible]
[illegible]	[illegible]

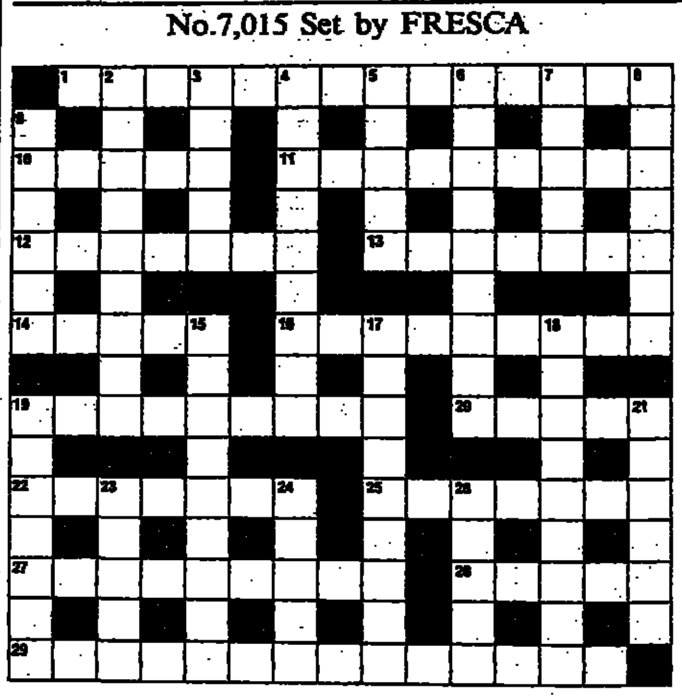
TOTAL VOLUME IN CONTRACTS : 67,542

A=Ask B=Bid C=Call P=Put

JOTTER PAD

CROSSWORD

No.7,015 Set by FRESCA



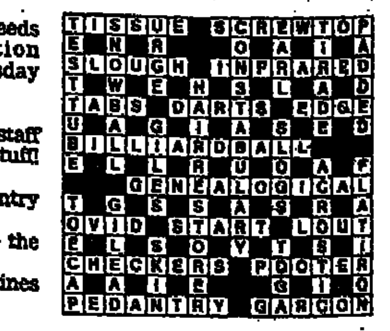
ACROSS

1 Very healthy, if fat – ladies' sad problem (2,3,2,1,6)
10 German composer largely raised in Lancashire town (5)
11 Unattractive church lacking branches (9)
12 A dish – though she's wanton (7)
13 Complaint of master faced with student song (7)
14 Sunday's chilling rebuff? (5)
16 Trendy gallery holds sex appeal – though around one it's never full (9)
19 American lady's abstinence presented in duplicated note: she shows us the way (9)
20 Man of Dickensian mystery (5)
22 TV interference on river and mountain (7)
25 Bitter quality of fish on display in an urban area (7)
27 Switched on – bill attached – includes tax (9)
28 Cream headgear vulgarly turned back to front by egghead (5)
29 Fine period for the Leeds water reorganisation around the first Tuesday (7,7)

DOWN

2 Favourite tipple of Falstaff and clergy: it's rough stuff! (9)
3 Fashionable place for entry (5)
4 Old scientist's claims – the fraud! (9)
5 Panic at the French marines in Britain (5)
6 Motel maid offered in sacrifice (9)
7 It's gloomy and dead at the back! (5)
8 Bind tattered leaves round pole (7)
9 Simple calculator makes a stupid start – displaying 10 endlessly (6)
15 One who tempted wickedness? (9)
17 King Edward's brief – to cut burden and scoot? (9)
18 Native's birthplace in Lincoln? (9)
19 Brings down Tess and Una in tussle (7)
21 Is it boring to study this poet? (6)
23 Produced by quartet composer on being promoted? (5)
24 Journalist takes no time to become well-known ..... (5)
26 ...... writer up in the middle of Mauritania, though rather fatuous (5)

Solution to Puzzle No.7,014



WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

Sales	Stock	High	Low	Close	Chng
	[illegible]				

TORONTO

2pm prices August 17

[illegible]

‡—No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

	Aug 16	Aug 15	Aug 14	Aug 11	1989 High	1989 Low	Since compilation High	Since compilation Low
◆Industrials	2693.29	2687.78	2677.92	2683.99	2712.63 (10/8)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	93.30	93.30	93.35	93.44	94.15 (2/8)	87.35 (23/3)	–	–
Transport	1401.67	1403.63	1413.94	1413.23	1419.63 (10/8)	959.95 (3/1)	1419.63 (10/8/89)	12.32 (8/7/32)
Utilities	218.31	216.23	216.23	217.56	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2712.25 (2705.24) Low 2680.58 (2665.02)

STANDARD AND POOR'S	Aug 16	Aug 15	Aug 14	Aug 11	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	345.66	344.71	343.06	344.74	349.41 (7/8)	275.31 (3/1)	349.41 (7/8/89)	4.40 (1/6/32)
Industrials	395.73	394.71	392.77	394.38	399.68 (8/8)	318.66 (3/11)	399.68 (8/8/89)	3.62 (21/6/32)
Financial	33.14	32.98	32.85	33.21	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8 64 (1/10/74)
NYSE Composite	192.64	192.08	191.37	192.27	194.23 (8/8)	154.98 (3/1)	194.23 (8/8/89)	4.46 (25/4/42)
Amex Mkt. Value	379.60	379.82	379.00	380.64	382.24 (10/8)	305.24 (3/1)	382.24 (10/8/89)	29.31 (9/12/72)
NASDAQ Composite	460.79	460.91	459.99	462.48	463.55 (10/8)	378.56 (3/1)	463.55 (10/8/89)	54 87 (31/10/72)

	Aug 11	Aug 4	July 28	year ago (approx.)
Dow Industrial Div. Yield	3.43	3.41	3.44	3.73
	Aug 9	Aug 2	July 28	year ago (approx.)
S & P Industrial div. yield	2.86	3.28	2.90	3.12
S & P Indl. P/E ratio	14.49	14.43	14.22	14.10

TRADING ACTIVITY † Volume Millions

	Aug 16	Aug 15	Aug 14
New York	151.097	148.770	142.010
Amex	14.956	14.341	10.857
OTC	129.246	133.486	100.446

NEW YORK	Aug 16	Aug 15	Aug 14
Issues Traded	1,982	1,979	1,972
Rises	801	779	480
Falls	655	676	969
Unchanged	519	524	523
New Highs	94	68	50
New Lows	13	22	5

CANADA

TORONTO	Aug 16	Aug 15	Aug 14	Aug 11	1989 High	1989 Low
Metals & Minerals	3801.5	3778.1	3733.6	3716.4	3801.5 (16/8)	3207.5 (3/1)
Composite	4013.4	4002.1	3994.2	3996.4	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	2035.23	2027.46	2021.71	2024.75	2035.23 (10/8)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
General Motors	2,639,100	45¼	+ ¼
Comp Assoc	2,204,700	15½	− ⅜
Ford Motor	1,846,600	51⅞	+ ⅞
First City	1,788,000	37	− ¼
Texas Utilities	1,577,400	32¼	—
Tandem Comp	1,458,900	23¼	+ 1¼
Am T & T	1,407,700	39⅜	+ ⅜
McDonalds	1,388,400	29¼	− ¼
SmKline Bchm	1,382,800	42¼	+ ½
AMR	1,311,200	74¼	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug. 17	Aug. 16	Aug. 15	Aug. 14	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1726.7	1719.4	1713.4	1715.5	1726.7 (17/8)	1412.9 (7/4)
All Mining (1/1/80)	818.7	815.2	809.2	808.2	818.7 (17/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	395.92	396.62	(c)	393.51	396.62 (16/8)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6400.55	(u)	(c)	(c)	6400.55 (17/8)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	341.17	336.96	333.09	333.84	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	774.8	772.3	769.1	767.5	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	509.6	509.8	(c)	(c)	509.8 (16/8)	417.9 (4/1)
Ind. Tendance (30/12/88)	122.6	122.2	(c)	(c)	122.6 (17/8)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	650.27	655.82	647.10	654.44	664.22 (10/8)	535.78 (27/2)
Commerzbank (1/12/53)	1945.2	1962.0	1935.0	1958.1	1990.1 (10/8)	1595.7 (27/2)
DAX (30/12/87)	1576.16	1581.04	1573.65	1584.37	1609.93 (10/8)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2616.98	2635.90	2638.19	2640.39	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	708.65	693.22	(c)	(u)	708.65 (17/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35090.11	35084.15	34810.69	34671.6	35090.11 (17/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2652.96	2650.61	2633.33	2632.97	2652.96 (17/8)	2366.91 (6/1)
NETHERLANDS						
CBS Tti.Rtn.Gen.(End 1983)	266.2	265.2	263.7	263.2	266.2 (17/8)	208.3 (3/1)
CBS All Shr (End 1983)	207.0	206.3	205.1	204.8	207.0 (17/8)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	654.99	648.29	636.09	635.00	668.90 (14/7)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1375.56	1377.30	1371.57	1379.96	1379.96 (14/8)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1637.0	1660.0	1608.0	1600.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2795.0	2782.0	2765.0	2757.0	2795.0 (17/8)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	312.11	311.42	(c)	311.78	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4602.1	4660.3	4612.9	4572.4	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	812.0	813.4	808.6	815.0	821.7 (9/8)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	539.4	537.6	537.5	551.2 (3/8)	487.6 (13/6)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday August 17 1989

	Stocks Traded	Closing Prices	Change on day
Pasco	10.56m	1,380	+40
Nippon Steel	8.88m	843	+11
KDR (Keisei RR)	7.37m	2,730	+140
Mazda	6.70m	1,070	0
Hitachi	6.52m	1,690	-20
Daiwa House	5.96m	2,690	+10
Toshiba	5.74m	1,350	-10
Gunze	5.26m	1,380	-10
Nisshin Steel	5.19m	1,600	+20
Sankyo	4.87m	2,670	+60

3pm prices August 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
33⅞	21¼	AAR	.44	1.4	21	151	32⅛	31½	32	+ ½
10⅛	8⅝	ACM n	1.01	11.		182	9½	9⅜	9½	
11⅝	10⅛	ACMIn	1.26e	11.		513	11⅝	11⅜	11½	
10⅛	8½	ACM M	n1.01	11.		163	9⅝	9½	9⅝	– ⅛
11½	10	ACM Sc	1.26	11.		624	11⅜	11¼	11⅜	
9⅞	8⅞	ACMSp	1.01	11.		288	9¼	9⅛	9⅛	– ⅛
18	10⅞	AL Lab	.12	.7	17	36	16¼	16	16⅛	– ⅛
4⅛	3⅛	AMCA	.12e	3.1	26	74	4	3⅞	3⅞	– ⅛
6⅛	4½	AM Intl				109	5⅜	5¼	5⅜	– ⅛
23½	20⅝	AM In pf	2	9.1		28	22¼	21⅞	21⅞	– ¼
79¼	40⅞	AMR			9	9843	76	75	75⅝	+ 1⅛
8	3⅞	ARX				4	3⅞	3⅞	3⅞	– ⅛
44⅛	35¼	ASA	3a	7.0		436	42⅞	42⅜	42⅞	+ ⅛
22⅛	15¼	AVX	.24	1.2	8	125	20	19⅝	19⅝	
66	43¼	AbtLab	1.40	2.2	18	4053	63⅛	62⅝	63⅛	+ ½
16⅛	13⅜	Abitibi g	1			79	15¼	15	15⅛	– ⅛
13	7½	AcmeC	.40	3.6		8	11⅛	11⅛	11⅛	
34⅞	20¼	Acusn			24	64	33½	33	33⅛	+ ⅛
16⅞	14⅛	AdaEx	1.63e	11.		239	16⅛	16	16⅛	+ ⅛
12⅜	7¼	AMD				2641	8⅝	8¼	8⅜	– ⅛
36½	28⅜	AMD pf	3	9.6		3	31⅛	31⅛	31⅛	– ⅜
11⅞	6½	Adobe				139	11¼	11	11	– ¼
19⅜	16½	Adob pf	1.84	9.9		7	18¾	18⅝	18⅝	
21⅝	19⅞	Adob pf	2.40	11.		1	21	21	21	
10⅛	6⅛	Advest	.12	1.3	16	216	9⅛	8⅞	9	
60⅛	48	AetnLf	2.76	4.7	9	1322	59⅛	58¼	58⅜	– ⅜
14	12⅜	AflPb				831	13⅛	13⅛	13¼	
23⅜	14⅝	Ahmans	.88	4.0	11	5637	22⅝	22	22⅛	– ⅜
4⅝	2⅛	Aileen				14	2⅜	2¼	2⅜	+ ⅛
48¾	37⅜	AirPrd	1.32	2.8	12	648	47	46⅝	46⅞	– ⅛
36	15¾	AirbFrt	.60	1.8	22	523	34⅛	33⅝	33⅞	+ ½
25⅛	13⅜	Airgas			14	33	23⅞	23⅝	23⅝	– ⅜
20½	17⅞	Airlease	2.40	12.	9	39	20½	20½	20⅝	+ ⅛
25⅞	21½	AlaP	pf2.13e	9.3		200	23	22⅞	23	+ ⅛
10	8½	AlaP	dpf.87	8.8		8	9¾	9¾	9¾	
92	80	AlaP pf	8.16	9.0		z40	90¼	90¼	90¼	– ¼
30½	17¾	AlskAir	.20	.7	10	368	28¾	28¼	28⅜	
23½	14⅛	Albnyln	.30	1.4	14	143	22½	21⅞	21⅞	– ⅝
49¾	30½	Alberto	.38	.8	22	45	48	47⅛	47⅝	– ½
38¼	23	AlbCulA	.36	1.0	17	2	35⅞	35⅞	35⅞	– ⅛
52½	31	Albtsn	.80	1.6	20	541	51¼	51	51	
24¼	18¾	Alcan s	1.12	4.8	5	3660	23⅞	23½	23½	– ¼
34⅞	28	AlcoStd	.76	2.2	13	825	34⅞	33⅞	34	– ½
29⅜	21⅞	AlexAlx	1	3.5	15	423	28¾	28½	28⅝	+ ⅛
77	50¼	Alexdr			30	2	63⅝	63⅝	63⅝	
103½	89½	AllegCp	1.63t	1.6	12	24	100	99⅝	99¾	+ ¼
3⅛	⅝	vjAlgInt				95	⅞	13-16	13-16	– 1-16
16⅞	1⅝	vjAlI pfC				4	2	1⅞	1⅞	
41⅝	24¼	AlgLud	1a	2.6	7	215	38¾	38	38⅛	
40⅞	35⅝	AllgPw	3.08	7.8	10	277	39¾	39½	39⅝	
16⅞	11½	AllenG			17	392	12⅝	12	12⅝	+ ⅝
19⅞	14	Allen pf	1.75	11.		5	15¾	15¾	15¾	+ ¼
25½	20⅝	Alrgn n				4588	24⅛	23¾	24	+ ⅛
14¼	9⅝	AlnCap	1.48	11.	21	131	14⅛	13¾	13¾	– ¼
27⅝	13¾	AlldPd			19	20	14⅝	14⅝	14⅝	
39	31⅝	AldSgnl	1.80	4.9	17	1973	37⅝	36½	37	– ½
10⅞	9⅝	AlstMu	.78a	7.3		151	10⅝	10½	10⅝	+ ⅛
10⅛	9¼	AlsMll	.73	7.4		301	10	9⅞	9⅞	– ¼

Continued on Page 37

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20¾	14½	RoblCtr	1.94	9.5	18	232	19¾	19⅝	19¾	+ ⅛
25⅝	18⅜	Reclwl	.78	3.4	7	2223	22⅞	22½	22⅝	− ⅛
9⅞	4⅞	RodRen				27	5⅝	5⅝	5⅝	
37¼	30¾	RoHaas	1.20	3.6	10	535	34½	33⅝	33⅝	− ⅞
37⅞	25⅝	Rohr			16	127	31½	31¼	31¼	− ⅛
15⅞	9	RollinE	.08	.7		1895	11	10⅝	10⅞	− ⅛
21	15⅞	Rollins	.54	3.0	18	117	18	17⅞	18	
48¼	33⅝	Rorer	.80	1.7	29	10422	46⅞	44⅞	46⅜	+1⅝
9⅛	4½	Rowan				1341	8⅝	8⅜	8⅜	− ⅛
69¼	52½	RoylD	e3.32e	5.0	6	4423	66⅞	66¼	66½	− ⅜
16	8⅜	Roylnt	.20a	1.7	12	40	11⅞	11⅝	11¾	
9⅞	7⅜	Royce	.51e	6.2		149	9⅞	9⅝	9⅞	+ ⅛
35⅞	22	Rubmd	.44	1.4	22	663	32⅞	32¼	32½	− ½
21¼	16⅛	RussBr	.40	2.4	23	105	17	16⅞	16⅞	− ⅛
14½	12⅛	RussTg	.60	4.4	66	250	13½	13⅜	13½	
24⅛	14¾	Russell	.28	1.2	17	358	24⅛	23⅞	24	− ⅛
31⅞	22⅝	Ryder	.60	2.1	14	2089	28⅝	28⅛	28⅜	
29½	22	Rykoff s	.60	2.1	16	8	28⅝	28¼	28⅝	+ ⅛
23⅞	14¾	Ryland	.40	2.5	8	185	u24	23⅝	23¾	+ ⅛
13½	8⅞	Rymer				63	13½	13⅜	13½	+ ½
10⅝	7⅜	Rymer pf	1.17	12.		7	9⅞	9⅞	9⅞	+ ⅛
		– S–S–S –								
37⅞	31	SCEcp	2.66	7.1	10	1556	36⅛	35⅞	36	
11½	6⅞	SCOR U	.20e	1.8	6	143	11	10⅞	11	
60⅛	41⅞	SPSTec	1.20	2.2	21	16	54	54	54	− ⅛
35¼	22⅞	SPX Cp	1	3.0	6	1252	34	33¾	33¾	− ¼
36⅞	19	SSMC				8	28⅞	28⅞	28⅞	
22½	13¼	Sabine	.87e	5.5	6	1580	15¾	15⅝	15¾	− ⅛
13⅝	11½	SabnR	1.24e	10.	10	9	13⅜	13⅜	13⅜	
19	14½	SfgdSc			11	77	16½	16¼	16¼	− ⅛
33⅝	23½	SafKln	.36	1.2	29	1435	31⅜	30⅞	30⅞	+ ⅛
9¼	5⅞	SalCae	1.12	13.	73	104	8⅞	8⅝	8⅝	− ⅛
23	19⅝	StJoLP	1.52	6.7	9	7	22⅞	22⅝	22⅝	
28⅞	13⅝	Salant			34	12	20	20	20	− ⅛
44⅝	30	SallieM s	.40	.9	19	1525	43⅝	43⅛	43½	+ ⅜
29⅜	22⅞	Salomn	.64	2.4	15	4159	27⅜	27	27	− ½
42⅞	33½	SDieGs	2.70	6.5	14	1291	41¾	41⅛	41¼	− ⅛
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	13⅛	SysCt			23	230	23⅞	23¾	[illegible]	
		– T–T–T –								
29	10⅛	TCBY	.08	.3	27	405	25⅛	25	[illegible]	
17⅞	8⅝	TCF Fn	.40	2.4	10	39	16½	16¼	[illegible]	
8⅝	7⅛	TCW	.84	10.		481	8⅜	8	[illegible]	
44¼	30	TDK n			29	18	42½	42½	[illegible]	
27⅞	21¼	TECO	1.82	5.8	12	1006	28⅜	28⅛	[illegible]	
16½	8¼	TGIF			19	31	14¾	14⅝	[illegible]	
10⅝	6½	TIS	1.02e	13.		147	8	7⅞	[illegible]	
21¼	14⅛	TJX	.40a	2.2	120	2810	18⅛	17⅞	[illegible]	
22⅛	18½	TNP	1.56	7.1	8	24	22⅛	21⅞	[illegible]	
49⅞	40⅞	TRW	1.72a	3.6	11	789	47⅞	47⅝	[illegible]	
36¼	17	TW Svc	.06j		28	330	35⅞	35⅞	[illegible]	
35	33	TW wd				10	35	35	[illegible]	
1⅛	13-32	TacBt			34	15407	7-16	d11-32	[illegible]	
42⅞	21⅛	Taiwan	8.50e	22.		131	38⅝	37⅞	[illegible]	
17⅞	10⅞	Talley	.50	4.2	6	62	12⅛	12	[illegible]	
23	16⅞	Talley pf	1	5.8		12	17⅞	17½	[illegible]	
73⅞	52½	Tambd	2.04	2.8	19	671	73⅛	72	[illegible]	
23½	12⅞	Tandem			21	6872	23⅜	22½	[illegible]	
48⅛	36⅛	Tandy	.60	1.3	13	1615	45⅞	44⅝	[illegible]	
16⅛	12⅞	Tndyck			15	30	13⅝	13½	[illegible]	
16⅞	9⅞	TchSym			35	278	13⅞	13⅛	[illegible]	
24⅛	19	Tektrnx	.60	2.8	55	228	21⅞	21½	[illegible]	
2⅛	1⅛	Telcom				51	2⅛	2	[illegible]	
37½	16⅛	TlcmUS			35	130	34⅞	34⅝	[illegible]	
360½	319⅛	Teldyn	4	1.1	14	83	360⅛	360⅛	[illegible]	
28⅝	21⅝	Telef	1.08e	4.1	15	2631	26⅝	26⅝	[illegible]	
17¼	12⅞	Telerte	.32	2.0	18	340	16½	16¼	[illegible]	
63⅝	44½	Tempit	1.16	1.9	8	178	62½	61¼	[illegible]	
10⅛	8¼	TpGGv	n1.02	11.		319	9¼	9⅛	[illegible]	
9⅞	8½	TmpGlb	.96	11.		1008	9¼	9	[illegible]	
10⅛	8¼	TmpMI	n.07e	.7		215	9½	9⅜	[illegible]	
62⅝	44¾	Tenneco	3.04	5.1	20	2964	60⅛	59	[illegible]	
18	10⅝	Terdyn			95	67	11⅛	11⅛	[illegible]	
14⅛	8⅝	Tesoro				76	10	9⅞	[illegible]	
25½	17⅞	Tesor pf	2.16			5	18⅞	18⅝	[illegible]	
[illegible]										

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– X–Y–Z –								
69	51⅞	Xerox	3	4.5	18	1832	67½	66½	66⅞	− ¼
48⅛	44½	Xerox pf	4.13	8.8		1	47	47	47	− ⅛
44⅛	28⅞	XTRA	.72	2.3	10	369	32	31½	32	+ ½
33	24½	XTRA pf	1.94	7.5		733	26⅛	26	26	− ⅛
4⅛	2	Zapata				649	2⅞	2⅞	2⅞	
22⅝	16⅛	ZenithE				349	17½	17¼	17¼	− ⅛
10⅝	8⅞	Zenlnc	1.26	13.		124	9⅝	9⅛	9⅝	
2⅞	1⅛	vjZenLb				270	1⅞	1⅛	1⅞	
20⅛	15	ZeniNt	.84	4.4	9	82	19½	19⅛	19⅛	− ⅛
22⅞	14⅞	Zero	.50	2.3	17	41	22⅛	22	22	
44¼	21⅛	Zurnls	.68	1.7	20	232	40⅞	40	40	− ⅝
12	10	Zweig	1.09e	9.2		471	11⅞	11⅛	11⅞	+ ⅞
10⅛	8¼	Zweig n	.96	10.		1524	9⅝	9½	9⅝	

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices August 17

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 17

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Dow pulled down by bout of selling in bond market

Wall Street

A HEAVY bout of selling in the US government bond market pulled equities sharply lower yesterday morning in spite of a substantial narrowing in the US trade deficit in June, *writes Janet Bush in New York.*

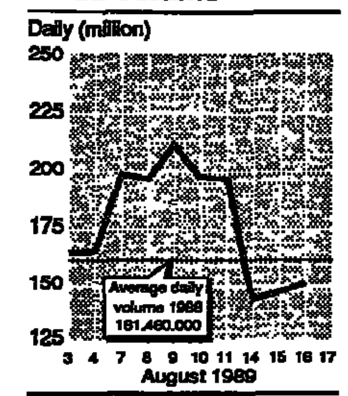
The Dow Jones Industrial Average traded little changed immediately after news that the US merchandise trade deficit had narrowed to $8.17bn in June from $10.08bn in May. Bonds then came off initial gains of as much as ½ point to be quoted almost a full point lower at midsession.

At 2 pm, the Dow was quoted 18.97 points lower at 2,674.32 on active volume of 110m shares.

The broadly-based Standard & Poor's 500 index was also quoted lower at midsession as was the American Stock Exchange Index and the Nasdaq Composite index.

In stark contrast to the rest of the market, the Dow Jones Transportation Average rose 20.80 points to 1,422.47, about half of which was accounted for by another rally in UAL shares after Mr Marvin Davis raised his bid for the airline by $35 to $275 a share.

The mixed reaction of financial markets after the trade figures were released reflected some concern in the bond market that the continued strength in exports signalled robustness in the US economy which would preclude any further monetary easing by the US Federal Reserve.



As on so many occasions recently, the selling in the stock market was heavily influenced by a domino effect, starting with selling of bond futures which in turn sent stock index futures to sharp discounts to their underlying stocks. This triggered buying of the futures and selling in the cash market.

There was concern about central bank intervention in response to the dollar's surge on the trade figures. There was speculation about central bank intervention throughout the morning session and traders said that the Fed had sold dollars at DM1.9680.

The US currency surged to morning highs in New York of Y144.05 and DM1.9719 before dropping back to Y143.45 and DM1.9615 at midsession.

The drop in the equity market was intimately tied to movements in the bond and currency markets.

Financial markets were expected to calm down in the afternoon as traders positioned themselves for today's consumer prices release.

Airlines again featured: UAL added $12⅛ to $263⅞, AMR gained $1⅛ to $75⅞ and Delta rose $⅜ to $74⅝.

Among featured individual stocks, NCR added $1⅞ to $63⅞ after the company told Wall Street analysts that it would continue its programme of buying back stock.

Monsanto, the chemical company, rose $1 to $118⅝ on speculation that Simplesse, the company's fat substitute, may receive approval from the Food and Drug Administration.

Fruit of the Loom "A" shares were the most actively traded on the American Stock Exchange, rising $¼ to $15 on takeover rumours.

ChemDesign fell $1⅛ to $13⅞ in over-the-counter trading after the company forecast that third quarter sales would be about the same as the second quarter.

Canada

DOUBTS ABOUT inflation and interest rates prompted fairly heavy selling in a busy session in Toronto.

The composite index fell 19.5 to 3,993.9 with declines beating advances 355 to 195 in volume of 20m shares.

Industrials steal the shine from gold issues

Johannesburg has surged as the cash available for equities has risen, writes Jim Jones

WHEN world stock markets began their slow recoveries from the crash of October 1987, Johannesburg stuck out like a sore thumb. Divestment, political fears, threatened sanctions and a poorly performing gold price combined to restrain the market for most of 1988.

But since the start of this year, local brokers say, only a handful of bourses – Taiwan, Thailand, Mexico and Austria – have outperformed Johannesburg.

At the end of last year, Johannesburg's all-market index stood at 1,984. On Wednesday, following a slight correction due partly to the acrimonious departure of President P.W. Botha, it was touching 2,793, just a fraction below its October 1987 peak of 2,804 and a rise of 41 per cent on the year.

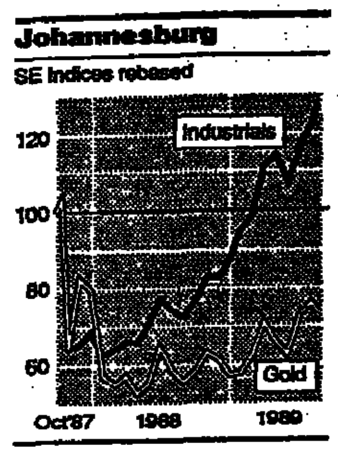
The irony is that gold, normally the market's principal driving force, has performed badly, persuading international fund managers to offload gold shares on to South African investors. Johannesburg's all-gold index peaked at 2,429 in October 1987 and stood at 1,293 at the end of 1988. Yesterday the index was 1,637 – a 27 per cent rise this year.

In contrast, the industrial index registered 2,795 yesterday, 44 per cent higher than its end-1988 level of 1,942 and nearly 25 per cent better than its October 1987 peak.

Trapped behind comprehensive exchange controls, the Johannesburg bourse tends to be driven by different considerations from other international markets.

Exchange controls have helped create a hothouse effect for several years, as institutional investors cannot invest abroad and are obliged to chase comparatively limited amounts of local scrip. This was compounded by the March budget, which relaxed requirements governing investment by insurance companies and pension funds in prescribed assets – requirements which forced fund managers to buy more gilts than they might have liked.

Mr Richard Stuart, a director of stockbrokers Martin & Co, estimates that the change in



prescribed asset requirements freed about R22bn ($8bn) of cash, held by insurers and pension funds, for investment in equities. That, he says, is in addition to their R24bn annual cash flow.

And it has allowed the institutions to absorb or finance purchases of the large volumes of shares being sold by foreign divestors or fund managers. This has to be seen in the context of the Johannesburg Stock Exchange's present daily turnover of about R80m.

Divestments provide a fairly regular investment outlet, but are generally a drop in the ocean when set against institutional cash flows. Last week's sale of 30 per cent of Gold Fields of South Africa (GFSA) for approximately R2.3bn by Consolidated Gold Fields was financed in part by an exchange of shares. And two divestments this week – RTZ's R200m sale of shareholdings in the Unisel gold mine and Gold Fields of Namibia and Granada's R70m divestment from televison rental company Teljoy – have been easily absorbed by local institutions.

Consolidated Gold Fields will eventually sell its residual 8 per cent interest in GFSA and its direct holdings in the group's gold and platinum mines, brokers believe, but they add that the shares will be absorbed readily.

Mr Peter Trengove-Jones, a partner in the Simpson, McKie broking house, estimates that rights issues will raise about R4bn in new equity capital this year. The largest was the R1.5bn issue by mining house Gencor, which was snapped up by shareholders convinced the mining company had a knack for buying assets cheaply.

In the past year the Gencor group has acquired control of the Alusaf aluminium smelter from the state, bought refineries and a nationwide gas station chain from Mobil and taken over Courtaulds' local rayon pulp interests.

Other issues expected by the market include one needed by GFSA to finance gold and platinum mine expansions.

As Mr Stuart points out, the new issues are by mining groups; industrial groups whose profits are expected to continue to rise by 20 or 30 per cent this year are generally financing their developments internally. This continues to exacerbate the shortage of good quality industrial shares.

Privatisation of state-owned assets has been comparatively slow. Iscor, the steelmaker, will be privatised in November and is likely to be followed within a year by Eskom, the electricity utility.

EUROPE

Italy surges 2.2 per cent at start of account

GAINS in Europe were led by Italy, which kicked off a new account with a powerful rally. Amsterdam and Brussels were at highs but Frankfurt and Paris remained stalled, *writes Our Markets Staff.*

MILAN opened the new monthly account in a firm and busy fashion, rising 2.2 per cent to a 1989 high. The Comit index surged 15.43 to 708.65, surpassing the previous year's peak of 703.94 on August 9, in turnover estimated at L330bn.

Share prices, which usually strengthen at the opening of an account, rose particularly sharply yesterday amid reduced political and economic uncertainty.

Advances by blue chips represented a technical rebound after weakness earlier this week, said an analyst. Many investors had bought buy options on blue chips and, after gains on the market, had exercised those options at the end of the last account and then taken profits, so knocking shares earlier in the week.

Financials performed well yesterday, with BCI gaining L150 to L5,500 and Banco di Roma L100 to L2,430.

Cir, the holding company of financier Mr Carlo De Benedetti, rose L100 to L6,090 as its one-for-20 capital increase began.

FRANKFURT had a cautious day and shares finished mixed to lower. The prospect of the US trade data, due after the close, proved a sobering influence but had little impact on the after-market in spite of fears that the resulting higher dollar would rekindle interest rate worries.

The DAX index eased 4.88 to 1,576.16 and the FAZ index lost 5.55 to 650.27.

One analyst said that, although stocks had fallen recently, there was no heavy selling pressure. He pointed out that declines this week had all come in lower volume – DM4bn on Monday, DM3.7bn on Tuesday and DM3.8bn yesterday – whereas turnover for Wednesday's rise had been high, at DM5.2bn.

Retailers performed well after a newspaper report that Asko had signed an agreement with Ahold of the Netherlands, Casino of France and Argyll of the UK. An analyst said that, in the run-up to 1992, retailers were beginning to look at European rivals as potential targets. Any international co-operation deal would help to protect the West German company's autonomy, she claimed.

Speculation about a share swap between Asko and Ahold, perhaps of 15 per cent, continued to bubble. Asko gained DM6 to DM920 and Massa, which has a crossholding with Asko, rose DM3.50 to DM371.

PARIS picked up quite smartly only to fall back and close only slightly above Wednesday's level, showing little reaction to the lower-than-expected US trade deficit and to July domestic inflation figures which were in line with expectations.

"The market was being particularly tedious," said one broker, pointing out that everyone was waiting for the bourse authorities' decision, expected today, on the Suez bids for Cie Industrielle and Victoire. Volume was thought to be moderate, and similar to the FFr2.1bn of the previous day.

Pechiney was one of the brighter spots, gaining FFr5.80 to FFr327.80 after producing a big rise in half year sales.

Thomson CSF rose FFr2.40 to FFr207 in active turnover. The parent company, Thomson SA, said it was talking to Philips of the Netherlands about the future of Philips' defence business.

There were a few sharp moves, with Metaleurop climbing FFr9.90 to FFr195.40 in what was seen as a "technical bounce" from recent losses.

A large block of shares in TF1, the television channel, changed hands at FFr410 and the stock closed down FFr3.90 at FFr406.10. The sale of the 6 per cent stake in the capital represented the liquidation of a reserve of shares set aside for staff at the privatisation of TF1 in 1987, according to the brokers who handled the sale.

The OMF 50 index ended just 0.35 higher at 513.99 after reaching a high of 515.98.

AMSTERDAM ended slightly higher at another peak, although the US trade figures had little impact. The day's biggest welcome was given to news from Pakhoed, the transport and storage company, which rose Fl 5.10 to Fl 148.10 after reporting a sharp rise in first half profits.

KLM came out with first quarter results which failed to excite investors, and the stock closed off 20 cents at Fl 56.

The CBS tendency index was up 0.3 at 198.7.

BRUSSELS breached new highs in heavy trading inspired by lively domestic and foreign interest. The cash index rose 75.12 to 6,400.55.

Groupe Cockerill Sambre, the state-owned steelmaker that announced a BFr7bn share issue on Tuesday, featured with a rise of BFr33 to BFr390 as 248,000 shares changed hands.

Insurer AG, which has risen more than 20 per cent in the last 10 days, gained BFr100 to BFr19,100 on continued bid talk.

ZURICH was quiet before news of the US trade deficit, which came after the close. Shares were narrowly mixed in moderate volume, with the Crédit Suisse index up 0.9 at 667.0.

MADRID picked up a shade, though volume stayed low at about $65m. The general index, up 0.69 at 312.11, was again supported by Telefonica, which rose 5.75 points to 213.75 per cent of par on US-driven buying.

OSLO was lifted by gains in other markets, with the all-share index up 5.86 at 510.57. Turnover was a moderate NKr313m, with shipping stocks particularly buoyant.

HELSINKI rose in active trade, with forestry stocks enjoying popularity. The Unitas general index gained 2.5 to 774.8. In **COPENHAGEN**, the stock exchange index rose 4.21 to 341.17.

STOCKHOLM retreated from Wednesday's high in profit-taking.

ASIA PACIFIC

Nikkei edges to new peak after spell of profit-taking

Tokyo

RESTRAINT was the order of the day in Tokyo with the market hanging on to Wednesday's big gains to end slightly higher, *writes Yuriko Mita in Tokyo.*

Investors back from the "obon" holidays inspired an early spate of buying. But profit-taking, triggered by fears that Wednesday's rally had been too sharp, soon brought prices down again.

The market was said to be upset by the weaker yen and the US trade statistics, due later in the day. Stocks recouped some losses at the end of the session, however, and the Nikkei average closed 5.96 up at another record of 35,090.11. The high was 35,191.56 and the low was 34,985.54.

Advances led declines by 477 to 383, while 230 issues remained unchanged. Turnover was 477m shares, down on Wednesday's 580m. The Topix index of all-listed shares gained 2.35 to close at 2,652.96 and in London trading the ISE/Nikkei 50 index rose 6.94 to 2,113.95.

Issues with regulations restricting foreign ownership, such as Japan Air Lines (JAL) and Kokusai Denshin Denwa (KDD), the international telecommunications utility, rose sharply in anticipation that the restrictions would be liberalised in the near future. According to a newspaper report, the Government has decided to change the law which prevents foreigners from owning KDD shares. The Government later denied this.

With one of the big four brokers heavily buying JAL shares, the issue rose Y800 to Y17,700. KDD rose Y900 to Y23,000.

Automotive shares continued to perform strongly in the morning. These stocks were picked up as leisure-related issues because of the Government's recent push to encourage the Japanese to work less and enjoy their own time more. However, most lost their gains under profit-taking pressure in the afternoon.

Pasco, an aerial photographic surveying company, rose on takeover rumours. It was the most active issue, with a turnover of 10.56m shares, and rose to a year's high of Y1,420, before falling back to Y1,360, up Y40. Most of the volume in Pasco was attributed to a cross trade.

Japan has been under fire recently for contributing to the destruction of rain forests in south-east Asia. The Government announced this week that it planned to give aid to Indonesia to protect its rain forests. This has reawakened interest in environment-related issues. Nippon Shokugai Kagaku Kogyo, a producer of zeolite catalysts used to dissolve chlorofluorocarbons, rose Y20 to Y2,280. Ebara gained Y20 to Y2,350.

Keisei Electric Railway surged to the third most active spot and closed up Y140 at Y2,730 with 7.37m shares changing hands.

Daiichi Chuo Kisen, a shipping operator, advanced before coming under profit-taking. Investors were encouraged by reports that the company is likely to resume its dividend this year. The yen's recent weakness has also contributed to Daiichi's earnings. The issue closed down Y1 at Y910.

Nippon Steel, the second most active issue with a volume of 9.99m shares, rose Y11 to Y843.

In Osaka, the OSE average rose 134.22 to 35,060.03. Volume was 75.9m shares, slightly lower than Wednesday's 76m.

Roundup

THE RALLY in New Zealand held to its course, while other Asia Pacific markets closed mixed in mostly active trading.

NEW ZEALAND shot up for the third session running, still buoyed by this week's news of the March quarter's trade account surplus. The Barclays index advanced 59.41, or 2.6 per cent, to 2,336.62, giving it a three-day gain of more than 6 per cent.

Bank of New Zealand gained 16 cents to NZ$1.26 on very heavy turnover of 6m shares.

AUSTRALIA rose further on Tuesday's budget and lower-than-expected current account deficit. The All Ordinaries index gained 7.3 to 1,726.7, a year's high. Turnover was 123m shares worth A$219m.

Shares of New Zealand-based companies were strong, with Elders Resources NZFP up 7 cents at A$2.93.

TAIWAN fell in record daily turnover as investors took profits. The weighted index lost 102.42, or 1 per cent, to 9,587.34 as T$139.9bn worth of shares changed hands, up from Wednesday's T$121.3bn and the previous record of T$136.6bn on August 8.

SINGAPORE ended mixed after a day of selective buying followed by bursts of profit-taking, which drove up volume. The Straits Times industrial index eased 1.74 to 1,375.56 as turnover grew to 118m shares from Wednesday's 111m.

HONG KONG was cautious before yesterday's US economic trade figures, with the Hang Seng index off 18.92 at 2,616.98 in lower volume.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 16 1989						TUESDAY AUGUST 15 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	149.90	+0.6	140.75	131.65	+0.4	4.72	148.94	140.38	131.16	157.12	128.28	146.41
Austria (19)	137.18	+0.6	128.81	138.58	+0.6	1.75	136.39	128.55	137.73	139.65	92.84	86.59
Belgium (63)	133.42	+0.5	125.27	134.24	+0.5	4.12	132.81	125.18	133.63	137.97	125.58	110.26
Canada (124)	152.46	+0.6	143.15	130.10	+0.2	3.08	151.60	142.89	129.81	153.59	124.67	117.85
Denmark (36)	198.13	+2.0	186.03	203.45	+1.9	1.54	194.31	183.14	199.60	219.89	165.35	120.12
Finland (26)	136.47	+0.2	128.13	125.53	+0.4	2.19	136.15	128.33	125.04	159.16	125.81	123.79
France (126)	127.75	+0.3	119.95	131.46	+0.0	2.87	127.43	120.11	131.48	133.44	112.57	89.05
West Germany (100)	96.05	+1.6	90.18	97.00	+1.4	2.10	94.53	89.10	95.66	100.53	79.56	72.98
Hong Kong (48)	110.68	+0.0	103.92	110.92	+0.0	4.88	110.73	104.37	110.98	140.33	88.41	105.71
Ireland (17)	157.69	−0.9	148.06	161.53	−1.1	2.60	159.08	149.93	163.25	166.69	125.00	127.36
Italy (97)	91.22	−0.3	85.65	95.04	−0.6	2.36	91.54	86.27	95.57	95.04	74.97	71.81
Japan (455)	187.59	+0.6	176.13	168.56	+0.6	0.47	186.49	175.77	167.57	200.11	164.22	184.12
Malaysia (36)	191.19	−0.2	179.51	197.56	+0.0	2.44	191.54	180.54	197.63	193.38	143.35	147.99
Mexico (13)	273.95	+1.1	257.22	762.28	+1.2	0.66	270.86	255.29	753.10	277.40	153.32	150.70
Netherland (43)	127.55	+0.8	119.76	127.43	+0.6	4.06	126.49	119.22	126.72	130.67	110.63	101.89
New Zealand (20)	80.36	+2.3	75.45	72.84	+2.3	4.65	78.54	74.02	71.23	81.13	62.64	77.98
Norway (24)	177.30	+1.8	166.47	170.80	+1.8	1.51	174.24	164.22	167.79	198.39	139.92	114.49
Singapore (26)	170.18	−0.1	159.79	153.40	−0.2	1.81	170.41	160.62	153.69	170.62	124.57	128.62
South Africa (60)	154.97	+1.6	145.51	139.69	+1.6	3.97	152.48	143.71	137.44	154.97	115.35	110.00
Spain (43)	155.25	+0.4	145.77	142.72	+0.2	3.61	154.68	145.79	142.49	158.06	143.14	143.87
Sweden (35)	188.32	+1.2	176.82	183.72	+1.2	1.89	186.07	175.37	181.46	188.94	138.45	112.14
Switzerland (84)	90.45	+1.1	84.93	93.76	+0.8	2.01	89.47	84.32	93.04	94.16	67.81	75.58
United Kingdom (310)	152.53	+1.2	143.22	143.22	+0.8	4.07	150.79	142.13	142.13	158.41	133.28	129.44
USA (551)	140.76	+0.3	132.16	140.76	+0.3	3.24	140.31	132.25	140.31	142.07	112.13	106.56
Europe (1003)	127.82	+0.9	120.01	124.77	+0.6	3.29	126.64	119.36	123.97	132.62	112.63	102.69
Nordic (121)	170.57	+1.5	160.15	162.87	+1.5	1.75	168.10	158.44	160.48	178.38	137.95	108.10
Pacific Basin (670)	183.28	+0.6	172.09	164.96	+0.6	0.70	182.22	171.75	164.03	194.72	160.44	161.10
Euro – Pacific (1673)	161.19	+0.7	151.34	148.83	+0.6	1.53	160.08	150.88	147.95	166.98	141.56	137.74
North America (675)	141.36	+0.3	132.73	140.11	+0.3	3.23	140.88	132.79	139.67	142.64	112.79	107.15
Europe Ex. UK (693)	112.14	+0.8	105.29	113.38	+0.5	2.70	111.30	104.90	112.76	116.28	96.30	88.10
Pacific Ex. Japan (215)	131.58	+0.5	123.55	120.03	+0.3	4.45	130.97	123.44	119.65	137.65	111.93	124.85
World Ex. US (1870)	160.89	+0.7	151.07	148.34	+0.6	1.61	159.78	150.59	147.47	166.35	141.49	136.79
World Ex. UK (2111)	152.65	+0.5	143.33	146.00	+0.5	1.95	151.86	143.13	145.30	155.66	136.86	124.67
World Ex. So. Af. (2361)	152.61	+0.6	143.29	145.76	+0.5	2.13	151.75	143.03	145.04	155.92	136.67	125.17
World Ex. Japan (1966)	136.15	+0.6	127.84	134.13	+0.4	3.31	135.39	127.61	133.54	138.23	114.51	106.36
The World Index (2421)	152.62	+0.6	143.30	145.72	+0.5	2.14	151.75	143.03	144.99	155.89	136.88	125.08

Latest prices were unavailable for this edition.
Constituent changes 17/8/89: Deletions: Arlington Secs. and Newarthill (both UK).